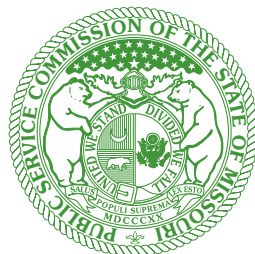


MISSOURI PUBLIC SERVICE COMMISSION



2007
ANNUAL
REPORT



Commissioners

JEFF DAVIS
Chairman

CONNIE MURRAY

ROBERT M. CLAYTON III

LINWARD "LIN" APPLING

TERRY JARRETT

Missouri Public Service Commission

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WESS A. HENDERSON
Executive Director

DANA K. JOYCE
Director, Administration and
Regulatory Policy

ROBERT SCHALLENBERG
Director, Utility Services

NATELLE DIETRICH
Director, Utility Operations

COLLEEN M. DALE
Secretary/Chief Regulatory Law Judge

KEVIN A. THOMPSON
General Counsel

November 9, 2007

Governor Matt Blunt:

As Chairman of the Missouri Public Service Commission, I am pleased to submit the agency's annual report for the fiscal year July 1, 2006 through June 30, 2007. The commission addressed several important utility issues during the fiscal year as well as major rate cases from all regulated electric utilities in Missouri and the three largest natural gas companies in the state.

Several notable issues addressed during the fiscal year are listed below. The commission:

- Made several important changes to its Cold Weather Rule to assist natural gas customers faced with high utility bills. Changes included more lenient payment terms permitting reconnection of service for those natural gas customers who defaulted on a previous Cold Weather Rule payment agreement.
- Held over 80 local public hearings across the state during the fiscal year seeking public comment on storm restoration issues, rate case filings and proposed rules before the PSC.
- Approved an agreement which provided for at least \$500,000 in bill credits for some Laclede Gas Company customers to resolve issues in an estimated billing complaint filed by the Office of the Public Counsel.
- Responded to nearly 11,000 complaints and/or inquiries. Over 490 cases were opened resulting in over 10,475 filings. In addition, the commission received more than 1,442 tariff filings.
- Issued decisions in electric cases filed by all electric companies under PSC jurisdiction (AmerenUE, Kansas City Power & Light, Aquila, Inc. and The Empire District Electric Company). It marked the first general electric rate increase for Kansas City Power & Light in 18 years and the first in approximately 20 years for AmerenUE.
- Decided natural gas cases filed by the three largest natural gas companies (AmerenUE, Laclede Gas Company, Missouri Gas Energy) and Atmos Energy Corporation.
- Began drafting extensive rules putting in place standards for electric companies to follow on infrastructure, vegetation management and service reliability.
- Opened a case and held extensive hearings in July 2007 investigating safety issues related to AmerenUE's Taum Sauk incident.
- Opened a case to investigate the utility service and billing practices of Missouri's electric, natural gas and water utilities.

The Missouri Public Service Commission continues to meet today's utility challenges with a great deal of energy and dedication as we have in the past.

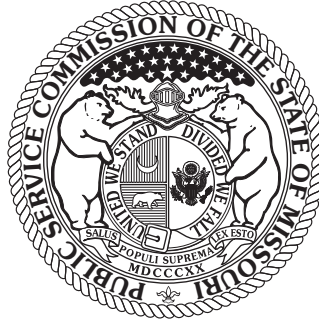
Respectfully yours,

Jeff Davis, Chairman

PSC MISSION STATEMENT

We will:

- Ensure that Missourians receive safe and reliable utility services at just, reasonable and affordable rates;
- Support economic development through either traditional rate of return regulation or competition, as required by law;
- Establish standards so that competition will maintain or improve the quality of services provided to Missourians;
- Provide the public the information they need to make educated utility choices;
- Provide an efficient regulatory process that is responsive to all parties, and perform our duties ethically and professionally.



MISSOURI PUBLIC SERVICE COMMISSION

JEFF DAVIS, CHAIRMAN

CONNIE MURRAY, COMMISSIONER

STEVE GAW, COMMISSIONER

ROBERT M. CLAYTON III, COMMISSIONER

LINWARD "LIN" APPLING, COMMISSIONER

TERRY JARRETT, COMMISSIONER



Missouri Public Service Commission offices are located in the Governor Office Building, 200 Madison Street, in Jefferson City.

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Key PSC Personnel

Jeff Davis, Chairman	751-3233
Connie Murray, Commissioner	751-4132
Robert M. Clayton III, Commissioner	751-4221
Linward “Lin” Appling, Commissioner	751-0946
Terry Jarrett, Commissioner	751-3243

Executive Division

Wess Henderson, Executive Director	751-7435
Debi Drewel, Interim Manager - Information Services Department	522-2453
EFIS Toll-Free Help Desk	1-866-365-0924

Administration Division

Dana K. Joyce, Director	751-2481
Robert Boone, Legislative Coordinator	522-8708
James Jackson, Manager - Human Resources Department	751-7508
Dan Redel, Manager - Budget and Fiscal Services Department	751-2457
Kevin Kelly, Public Information Administrator	751-9300
Gregg Ochoa, Public Information Coordinator	522-2760

Adjudication Division

Colleen M. Dale, Secretary/Chief Regulatory Law Judge	751-4255
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General Counsel

Kevin Thompson, General Counsel	751-2690
Gay Fred, Manager - Consumer Services Department	751-3160
Consumer Services Toll-Free Hotline	1-800-392-4211

Utility Operations Division

Natelle Dietrich, Director	751-7427
John Van Eschen, Manager - Telecommunications Department	751-5525
Lena Mantle, Manager - Energy Department	751-7520
Ron Pleus, Manager - Manufactured Housing Department	751-7119
Manufactured Housing Toll-Free Hotline	1-800-819-3180
Manager - Water and Sewer Department (Vacant)	

Utility Services Division

Robert Schallenberg, Director	751-7162
Ron Bible, Manager - Financial Analysis Department	751-8517
Joan Wandel, Manager - Auditing Department	751-4785
David Sommerer, Manager - Procurement Analysis Department	751-4356
Lisa Kremer, Manager - Engineering and Management Services Department	751-7441

PSC COMMISSIONERS

JEFF DAVIS

Chairman

Jeff Davis was appointed to the Missouri Public Service Commission on April 30, 2004 and was named Chairman of the Public Service Commission by Governor Blunt on January 10, 2005.

Chairman Davis was re-appointed to a full six-year term in April 2006.

Chairman Davis serves as a member of the Homeland Security Advisory Council, the Missouri Universal Service Board, the Financial Research Institute Advisory Board, the Missouri Oil and Gas Council, the National Association of Regulatory Utility Commissioners (NARUC) where he serves on the electric committee, the Advisory Board for the University of Missouri Delta Center for Agricultural Development in Southeast Missouri, Treasurer of the Mid-America Association of Regulatory Commissioners (MARC), member of the Regional State Committee for Southwest Power Pool and a member of the Board of Directors for the Organization of MISO States (OMS).



Commissioner Davis has served as Chair of the Missouri Energy Task Force, Chairman of the FRI Advisory Board at the University of Missouri, a member of the FERC Joint Oversight Board for Economic Dispatch for the MISO-PJM region and a member of the NARUC gas committee.

Prior to his appointment to the Commission, Davis served as General Counsel and Chief of Staff for Missouri Senate President Pro Tem Peter Kinder. While in that capacity, Chairman Davis provided legal counsel to the Committee on Gubernatorial Appointments and the Senate Administration Committee; managed the President Pro Tem's office; and supervised the President Pro Tem's legislative agenda, which included drafting and helping pass several pieces of legislation such as: the Senior Care and Protection Act of 2003; the Dram Shop Act of 2002; the Religious Freedom Restoration Act; and legislation authorizing Missouri's first sales tax holiday.

From July 1998 until December of 2000, Chairman Davis was Chief of Staff and General Counsel to Senate Minority Floor Leader Steve Ehlmann. Prior to that, he was a law clerk for the Honorable Paul J. Simon, Missouri Court of Appeals, E.D. and was a legal intern in Missouri Attorney General Jay Nixon's Labor Division.

Chairman Davis graduated cum laude with a bachelor's of science degree in political science from Southeast Missouri State University in 1994 and received his juris doctorate degree from Washington University in 1997. Chairman Davis was admitted to the Missouri Bar in October 1997, is a member of the Missouri Bar Association and Midwest Energy Bar Association.

Chairman Davis resides in Jefferson City with his wife, Tiffany, (Southeast '96) and daughters Micah and Mackenzie. He is the Vice President of the Congregation at Faith Lutheran Church and is an active volunteer for Phi Delta Theta.

CONNIE MURRAY

Commissioner



Commissioner Connie Murray was appointed to a second term on the PSC by Governor Bob Holden on April 28, 2003. She was first appointed by Governor Mel Carnahan in May, 1997.

Commissioner Murray served in the Missouri House of Representatives from 1991 through 1996. Her committees included Budget and Judiciary & Ethics.

Commissioner Murray is a 2004 alumna of the Institute of Regulatory Law and Economics held at the Aspen Institute. She is a member of the NARUC Committee on Water and has served on a working group of the National Drinking Water Advisory Council. She has recently been appointed to serve on the Water Government Coordinating Council which helps secure the nation's critical water infrastructure. She is also on the Advisory Council for the Center for Public Utilities, New Mexico State University.

She has served on the NARUC Telecommunications Committee and the NARUC Taskforce on Intercarrier Compensation. She is frequently invited to speak on telecommunications and other regulatory issues.

Commissioner Murray attended Temple University and earned her Bachelor of Arts degree from Loyola College in Baltimore, Maryland, where she graduated cum laude. She has a juris doctorate from the University of Maryland School of Law where she was Notes and Comments Editor of the Law Review.

STEVE GAW

Commissioner

Commissioner Steve Gaw was appointed to the Missouri Public Service Commission in March 2001 by Governor Bob Holden. Following Senate confirmation, Gaw began serving on the Commission on April 2, 2001. On November 3, 2003, Commissioner Gaw was named Chairman by Governor Bob Holden, and served as Chairman until January 2005.

Prior to his appointment, Commissioner Gaw was Speaker of the Missouri House and served as State Representative of the 22nd District representing Randolph County as well as parts of Howard, Chariton, and Boone Counties. Gaw was first elected to the Missouri House in 1992, became Speaker in 1996 and served until 2001.

While House Speaker, Gaw was instrumental in bringing new technology to the chamber, as the Missouri House became the first state legislative body to broadcast its proceedings live over the Internet.

As a Legislator and Speaker, Gaw focused on education, public safety, agricultural issues and economic development. His work on education earned him several awards including the prestigious Geyer Award, the Horace Mann Friend of Education for Legislation Award and the Distinguished Legislator Award from the Missouri Community College Association. He also passed stronger sentences for violent felony offenders particularly sex offenders, juvenile justice reform, school safety measures, a “No Call” list for telemarketers, and legislation lowering taxes on Missouri families including the elimination of the general sales tax on groceries.

Gaw graduated summa cum laude in 1978 from Truman State University with a bachelor’s degree in physics and he earned a law degree from the University of Missouri-Columbia in 1981. Gaw has served as the City Prosecutor of Moberly and practiced law with the firm of Schirmer, Suter & Gaw, also in Moberly.

Gaw served as a board member of the Organization of MISO States (OMS) and the SPP Regional State Committee. He also served as a member of the NARUC Electric Committee.

Commissioner Gaw and his wife Fannie have a daughter, Skylar.

Mr. Gaw served on the Public Service Commission until September 2007.



ROBERT M. CLAYTON III

Commissioner

Commissioner Robert M. Clayton III was appointed by Governor Bob Holden to a six-year term on the Public Service Commission, receiving Senate confirmation on May 8, 2003.

Prior to his appointment to the PSC, Commissioner Clayton was an attorney in private law practice in Hannibal as a partner in the general practice firm, Clayton & Curl L.L.C. Commissioner Clayton formerly served Marion and Shelby County in the Missouri General Assembly as state representative. He was first elected to the Missouri House in 1994 and served four consecutive terms.

As a state legislator, he chaired the House Ethics Committee and the Joint Committee on Legislative Research and was Vice-Chairman of the Committee on Criminal Law. He also served on additional House committees including, Appropriations, Agriculture and the Judiciary. While in the General Assembly, Clayton served on the Executive Committees of the Council of State Governments and the Southern Legislative Conference.

Commissioner Clayton is an active member of the National Association of Regulatory Utility Commissioners (NARUC) serving on its governing Board of Directors. He is the Chairman of the Committee on International Relations and is active in promoting the policy objectives associated with various USAID/NARUC Cooperative Agreements. Those objectives include working with developing nations in implementing an independent utility regulatory commission to encourage private investment in recently liberalized and evolving capitalist economies. He is the NARUC representative appointed to attend the Presidium of the Energy Regulators Regional Association (ERRA) of Eastern and Central Europe and he has worked with several member nations of the African Forum for Utility Regulation (AFUR) including the nations of Rwanda and Uganda. He has also offered presentations on energy regulation in Azerbaijan, Hungary, Turkey and before the Organization of Caribbean Utility Regulators.

Commissioner Clayton was also appointed to chair the Program Advisory Committee for the World Forum on Energy Regulation III, held in October 2006, in Washington, DC. The third triennial conference of its kind (the prior events were held in Montreal and Rome), the World Forum hosted energy regulators, investors and stakeholders from 84 countries. As Chair of the Program Advisory Committee, Commissioner Clayton's committee developed the comprehensive program agenda by coordinating topics of interest for all regulators, regardless of the maturity level of a nation's economy. The program highlighted 125 speakers with 28 different sessions of energy regulatory topics.

Commissioner Clayton also serves as a general member of the NARUC Telecommunications Committee and is involved in various organizations charged with the regulation and monitoring of telephone utilities. Commissioner Clayton serves as Chairman of the Missouri Universal Service Board and is a state commission member of the FCC-appointed North American Numbering Council. He is also a member of the Federal Communications Bar Association and the Public Utility, Communications and Transportation Law Section of the American Bar Association.

Commissioner Clayton recently received the UMKC Law Foundation Decade Award for Achievement in his first ten years of work following law school. He also is a past recipient of the President's Award from the Missouri Bar Association and the Kansas City Metropolitan Bar Association. Commissioner Clayton also serves as a board member for the Mark Twain Home Foundation.

Clayton received his Bachelor of Arts in History from Southern Methodist University in 1991 and earned his Juris Doctor from the University of Missouri-Kansas City in 1994. Commissioner Clayton and his wife Erin have two daughters, Olivia and Paige.



LINWARD “LIN” APPLING

Commissioner

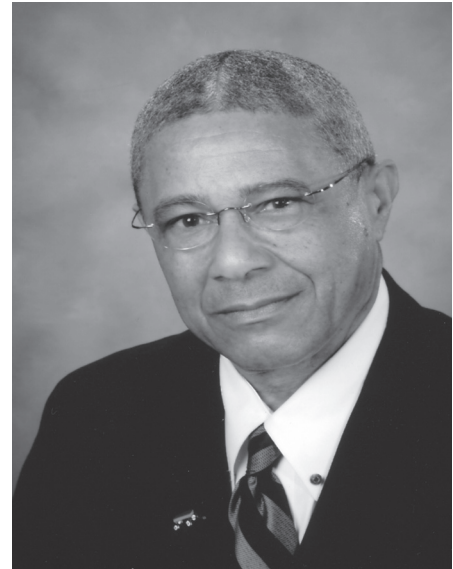
Lin Appling was born and raised in Roberta, Georgia to a family of 14. As a young man, inspired by Martin Luther King, Jr., Appling recognized his dream.

To pursue it, he joined the military, going on to serve in some of the most prestigious and elite units in the Army. After earning the U.S. Army Legion of Merit for meritorious service and the Bronze Star Medal for service in Vietnam, he retired as a Lieutenant Colonel. While in the Army, he received his Bachelor of Arts in Business and Social Science from Coker College, Hartsville, South Carolina and a Master of Arts in Political Science and Public Health Administration from Wichita State University, Wichita, Kansas.

Appling has since served Missouri State Government in several administrative positions. In January 1993, he was appointed by Governor Mel Carnahan to serve as his Deputy Chief of Staff for Constituent Services. In August 1993, he accepted the position of Director of Facilities Management with the Office of Administration and in March 1995, he was appointed by Secretary of State Bekki Cook as Executive Deputy Secretary of State. In December 1999, he returned to the Office of Administration as Special Assistant to the Commissioner and later returned as the Director of Facilities Management. On April 6, 2004, he was appointed by Governor Bob Holden as one of five Commissioners to the Public Service Commission. Appling strongly believes in the mission of the Public Service Commission - a job he takes seriously and works hard to achieve a balanced outcome for the consumers as well as the utilities.

He has been affiliated with the Capital City Boys & Girls Club since its inception in the early 90's. Appling truly feels that it is his mission to build passion within young people, adults, the community and this country.

Appling's lifelong dream has always been to help others reach their goals and his achievements are an example of what you can do if you know what you want, work hard, believe in yourself and don't quit!



TERRY JARRETT

Commissioner

Commissioner Terry Jarrett was appointed by Governor Matt Blunt to the Missouri Public Service Commission for a six-year term on September 11, 2007.

Prior to his appointment to the PSC, Jarrett was the Presiding Commissioner of the Administrative Hearing Commission. He formerly served as general counsel to Matt Blunt in both the Office of the Governor and the Office of the Secretary of State. Jarrett has practiced law as a private attorney and served as a judicial law clerk to the Honorable Duane Benton at the Missouri Supreme Court. He currently serves as a Judge Advocate in the Missouri Army National Guard at the rank of Captain.

Commissioner Jarrett received a B.S. degree from Central Missouri State University (now the University of Central Missouri) and a J.D. degree from the University of Missouri-Columbia School of Law. While in law school, he was Editor-in-Chief of the *Missouri Law Review*. Jarrett is a member of the Missouri Bar, where he is active on several committees, including serving as the chair of the Military Law Committee.

Commissioner Jarrett and his wife, Leann, a registered nurse, reside in Jefferson City with their two sons, Blaine and Bryce.



BUDGET

Fiscal Year 2008

Public Service Commission

Personal Service	\$ 10,088,938
Expense and Equipment	2,574,288
Refunds	10,000*
Total	<u>\$ 12,673,226</u>

Full-Time Employees (F.T.E.)	193
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Deaf Relay Service and Equipment Distribution Program

\$ 5,000,000

F.T.E.	0
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Manufactured Housing Dept.

Personal Service	\$ 331,460
Expense and Equipment	169,255
Program Specific Distribution and Refunds	17,935*
Total	<u>\$ 518,650</u>

F.T.E.	7.5
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TOTAL BUDGET

\$ 18,191,876

F.T.E.

200.5

* Program specific distributions and refunds are estimated appropriations.

Organizational Functions

Executive Director

Wess Henderson, Executive Director



As appointing authority, the executive director directs the management, administration, operations, information and technology services and training, and work product of the Missouri Public Service Commission. There are five distinct divisions comprised of attorneys, accountants, engineers, economists and other professional staff who support the commission by providing legal and technical expertise. The executive director is responsible for leading the agency's strategic planning; technical and administrative policy and procedure development and implementation; and budgeting process. The executive director ensures work product of professional and technical staff meets or exceeds substantive standards within prescribed deadlines and serves as liaison between the commissioners and staff, between the commission and the Department of Economic Development and serves as a primary contact with external entities as appropriate.

Administration and Regulatory Policy Division

Dana K. Joyce, Director



The Administration Division is responsible for managing the Commission's human and fiscal resources. The division has agency-wide responsibilities for the annual budget, strategic planning, fiscal services and procurement, human resources and payroll. The Regulatory Policy and Public Information Department, another unit of the division, develops and distributes press and consumer information on current PSC activities, develops educational materials, maintains the PSC Reports, and deals with media requests. The Legislative Coordinator, the agency's primary contact person with the General Assembly, is also assigned to this division.

Adjudication Division

Colleen M. Dale, Secretary/Chief Regulatory Law Judge



The Adjudication Division is the PSC's quasi-judicial division. A staff of regulatory law judges handles cases from their filing until their resolution. The assigned judge presides over the hearings, rules on objections and motions, and drafts all orders, as directed by the commission, for that particular case. The Adjudication Division's Data Center receives all incoming pleadings and issues all commission orders. In addition, the Data Center maintains and preserves the official case files, tariffs and other official documents of the commission.

General Counsel

Kevin A. Thompson, General Counsel



The General Counsel is authorized by statute to represent the Public Service Commission in all actions and proceedings, whether arising under the Public Service Commission Law or otherwise. Attorneys of the General Counsel's Office appear in state and federal trial and appellate courts on behalf of the commission and represent the commission's staff in administrative matters before the commission. The General Counsel also provides legal advice to the commission and each commissioner as requested, as well as to the commission's staff. When authorized by the commission, the General Counsel seeks civil penalties from persons or companies that have violated the Public Service Commission Law or the commission's regulations or orders. The General Counsel's Office also appears for the commission before various state and federal administrative tribunals, such as the Federal Communications Commission and the Federal Energy Regulatory Commission. The division houses the Consumer Services Department, the clearinghouse for all utility consumer inquiries. Consumer Services investigates and responds to complaints to ensure compliance with commission rules and utility tariffs. When a consumer has an issue that is not satisfactorily resolved after an initial contact with the utility, the consumer may call the PSC consumer hotline 1-800-392-4211 for assistance.

Utility Operations Division

Natelle Dietrich, Director



The Utility Operations Division is comprised of four departments: Telecommunications; Energy; Water and Sewer; and Manufactured Housing. It supports the commission in meeting its statutory responsibilities by providing technical expertise in safety; utility rates, tariffs, rules and regulations; economic analysis; engineering oversight and investigations; and construction inspections. The Manufactured Housing Department is governed by Sections 700.010-700.692 of the Revised Statutes of Missouri. This department is responsible for overseeing the annual registration of dealers and manufacturers of manufactured homes and modular units; prescribing and enforcing uniform construction standards by conducting code inspections; and enforcing tie-down requirements. The division accomplishes its mission by making recommendations to the commission in the form of expert testimony, formal recommendations, and presentations.

Utility Services Division

Robert Schallenberg, Director



The Utility Services Division consists of five departments that support the Public Service Commission by providing expertise in the areas of utility accounting, auditing, engineering, finance, management, and natural gas procurement. Division members perform audits, examinations, analysis, and reviews of the books and records of the utilities providing service in Missouri. These employees express their conclusions and findings in the form of expert testimony and recommendations filed with the commission. The division is also responsible for investigating and responding to consumer complaints and making recommendations to the commission regarding their resolution.



Mission

The Missouri Public Service Commission regulates investor-owned public utilities operating in Missouri. The PSC has the statutory responsibility for ensuring that customers receive adequate amounts of safely delivered and reasonably priced utility services at rates that will provide the companies' shareholders with the opportunity to earn a reasonable return on their investment. The PSC must balance a variety of often competing private interests to ensure the overall public interest.

Jurisdiction and Goals

The Missouri Public Service Commission was created in 1913 by the Public Service Commission Law, now Chapter 386 of the Missouri Revised Statutes. Today, the PSC regulates more than 800 investor-owned electric, natural gas, steam, telephone, and water and sewer utilities. In addition, the PSC regulates the operational safety of the state's 47 rural electric cooperatives and 40 municipally owned natural gas utilities. The PSC also regulates the manufacturers and dealers of manufactured homes and modular units.

The PSC oversees service territory issues involving investor-owned electric utilities, rural electric cooperatives, municipally owned electric utilities, investor-owned water and sewer utilities and public water supply districts. Under federal law, the PSC acts as a mediator and arbitrator of local telephone service disputes regarding interconnection agreements.

Virtually every Missouri citizen receives some form of utility service from an investor-owned public utility company. Utility services and

infrastructure are essential to the economy of Missouri. They provide heating and cooling during extreme temperatures. They offer access to emergency services and vital information systems. They provide safe drinking water and assure the environmentally sound disposal of wastewater. Because utilities fulfill these essential needs, the PSC must assure the ratepaying public that quality services will be available on a nondiscriminatory basis at just and reasonable rates.

Commissioners

The PSC consists of five commissioners who are appointed by the governor with the advice and consent of the Missouri Senate.

The governor designates one



PSC commissioners meet in agenda sessions--open to the public-- to discuss, consider evidence and vote on pending utility cases.

member as the chairman who serves in that capacity at the pleasure of the governor.

Commissioners are appointed to six-year terms. These terms are staggered so that no more than two terms expire in any given year.

The PSC is both quasi-judicial and quasi-legislative. The PSC is responsible for deciding cases brought before it and for the promulgation of administrative rules and enforcement. Many of the PSC's actions or decisions involve hearings of contested cases, which by statute must be transcribed by a court reporter. Hearings are held in a trial-like setting using evidentiary standards under the Missouri Administrative Procedures Act. The PSC must render decisions in a timely manner to afford all parties procedural and substantive due process, and comply with statutory time limits.

The PSC Staff

The commission is assisted by a staff of professionals in the fields of accounting, consumer affairs, economics, engineering, finance, law and management. Duties range from helping individual consumers with complaints to investigating multi-million dollar utility rate requests.

The staff participates as a party in all cases before the PSC, conducting audits of the books and records of utilities and making recommendations to the PSC regarding what type of rate increase, if any, should be granted. PSC staff recommendations, like those filed by other parties to a proceeding, are evaluated by the commissioners in reaching a decision in a complaint case or rate case. The PSC has established standards for safety and quality of service to which companies must

adhere. Routine and special investigations of utilities are conducted by the PSC staff to ensure compliance.

Legislation

In 2007, the General Assembly passed and the governor signed several new pieces of legislation.

SB 22 - An omnibus local government bill that included a provision to remove the expiration date of August 28, 2007, on the provision restricting political subdivisions from providing certain telecommunication services and facilities.

SB 54 - Modifies provisions relating to renewable energy, alternative fuels and environmental regulations.

As part of the bill, retail electric suppliers are to make net metering available to customers who have their own electric generation units that meet certain criteria, one of which is that the unit is powered by renewable energy resources.

The "Green Power Initiative" of the bill says electric companies shall make good-faith efforts toward meeting the renewable energy targets set out in the bill.

SB 284 - Provides state-authorized video service franchise agreements. A video service authorization will be required for a person to provide video services within political subdivisions of the state. In order to receive a video service authorization, a video service provider or incumbent cable operator must file an application with the Public Service Commission and provide notice to the political subdivision to receive the service.

SB 416 - Modifies the law with regard to lands held by certain utilities and PSC approval of certain territorial agreements for water and electric service areas.

Regulatory Policy and Public Information

In Fiscal Year 2007, the Public Information and Education Department issued 289 press releases on commission-related activities. During the past fiscal year, the Public Information and Education Department expanded its catalog of consumer fact sheets designed to provide information to ratepayers.

The department published a new consumer booklet, which contained many of more than 40 different fact sheets in its library of resources.

In its fifth year, the department's quarterly "*Consumer Connection*" newsletter provides utility-related information pieces for consumers.

The department provides key support during local public hearings by facilitating an open question-and-answer session prior to the actual local public hearing. This allows consumers the opportunity to ask questions about a rate case before the commission. The department produces detailed information sheets that are used at these local public hearings.

Practice Before the Commission



Chief Regulatory Law Judge Cully Dale assigns cases. She also serves as the secretary of the commission.

The Adjudication Division includes the Data Center and the regulatory law judges. The division director is both the secretary of the PSC and the chief regulatory law judge. The secretary is statutorily responsible for the records of the PSC and is specifically called upon to oversee the issuance of all PSC orders.

The Data Center is responsible for maintaining a complete and accurate record of every case that comes before the PSC. This department receives thousands of documents per month, each one of which must be reviewed, distributed and maintained in the electronic permanent case file. The Data Center also distributes hundreds of notices and orders each month.

The chief judge acts as the supervisor of the other seven regulatory law judges. The RLJs receive training at the National Judicial College and at various utility seminars and conferences.

The RLJ assigned to a case prepares and issues procedural orders to provide notice and due process, so all parties have the opportunity for a full, fair and impartial hearing. The RLJ ensures the creation of a complete and competent record upon which the PSC may base its decision.

Pursuant to the instructions and substantive guidance from the commission, the RLJ writes the decision and remains responsible for the case through the effective date of the final order.

witnesses are sworn, testimony is given and a court reporter records the proceedings. As an administrative case, the rules of evidence are used in determining whether testimony should be stricken or whether an objection should be sustained. In addition, counsel for parties make arguments and formal statements to the commission and file briefs after the hearing. The commission bases its decision on the record in the case.

The commission holds hearings on all manner of disputes between utilities or between utilities and ratepayers. It also hears cases on rate changes, complaints brought by the staff or the public counsel and other matters related to the provision of utility service in Missouri.

Depending on the nature of the dispute and the complexity of the issues, the hearing can be live, with witnesses called to testify; can involve pre-filed written testimony on which the witnesses are cross-examined at hearing; or the case may be submitted with all the facts agreed to, so that the commission hears only arguments about the law. The commission also holds local public hearings, giving members of the community an opportunity to express their opinions. Local public hearings are generally held in rate cases, rule proposals, service complaint cases or other cases in which input from the public will assist the commission in making its decision.

The Hearing Process

The commission holds evidentiary hearings that are similar to a court proceeding, in which

The Mediation Process

Some of the judges have been trained as mediators. If parties request mediation, a judge other

than the one assigned to the case will meet with the parties and facilitate negotiations in the hope that the case can be resolved by mutual agreement. In the past, mediation was provided by an outside mediator, but those tended to be fruitless since the mediator knew little or nothing about utility law. Process improvement led to the additional training of judges to be in-house mediators, which has met with greater success.

The Rate-Making Process

Before a regulated utility can change a rate or service, it must file a tariff with the new rates with the commission. For electric or natural gas utilities, the traditional process includes the tariff and testimony in support of the rate change. The commission, in setting or altering rates, must consider all relevant factors, so the case usually encompasses all of the regulated aspects of the utility's business. When issues are complex, the commission suspends the proposed tariffs for a specified period; existing rates remain in effect during that period. By law, the commission has 11 months from the date the case is filed to make a decision on the proposal.

In response to the utility's rate case filing, the PSC staff will independently investigate

the company's books and records and file testimony in support of or against the proposed rate change. Intervenors, such as the public counsel, consumer groups, or industrial customers, become parties to the rate case and file testimony in support of or against the proposed rate change as well.

Parties meet for pre-hearing conferences to discuss settlement of any or all issues in the case, to discuss the mechanics of the case (such as deadlines or presentation order) and to settle on a list of the issues to be determined in the case.

If the parties do settle any or all issues, the commission will review the agreement to ensure that it is reasonable and in the public interest.

After the hearing and legal briefing, the commission will meet and determine which, if any, rates may change. The commission will only authorize rate changes that are fair and reasonable. The company must be allowed the opportunity to make enough money to meet reasonable expenses, pay interest on debts, and provide a reasonable return to stockholders. The commission issues its decision through a written report and order. That order is subject to appeal to a court by any of the participants in the case, except the Public Service Commission staff.

QUICK FACT

Before a regulated utility can change a rate or service, it must file a tariff with the new rates with the commission.

For electric or natural gas utilities, the traditional process includes the tariff and testimony in support of the rate change. The commission, in setting or altering rates, must consider all relevant factors.

Other Rate Procedures

Many telecommunications providers in Missouri are either under price-cap regulation, or are not price regulated, which allows them to adjust rates with a tariff change, but no rate case.

In such matters, the staff reviews the proposed tariff changes to ensure compliance with applicable statutes and the commission's rules. If the proposed tariffs do

comply, then the matter is processed without becoming a case.

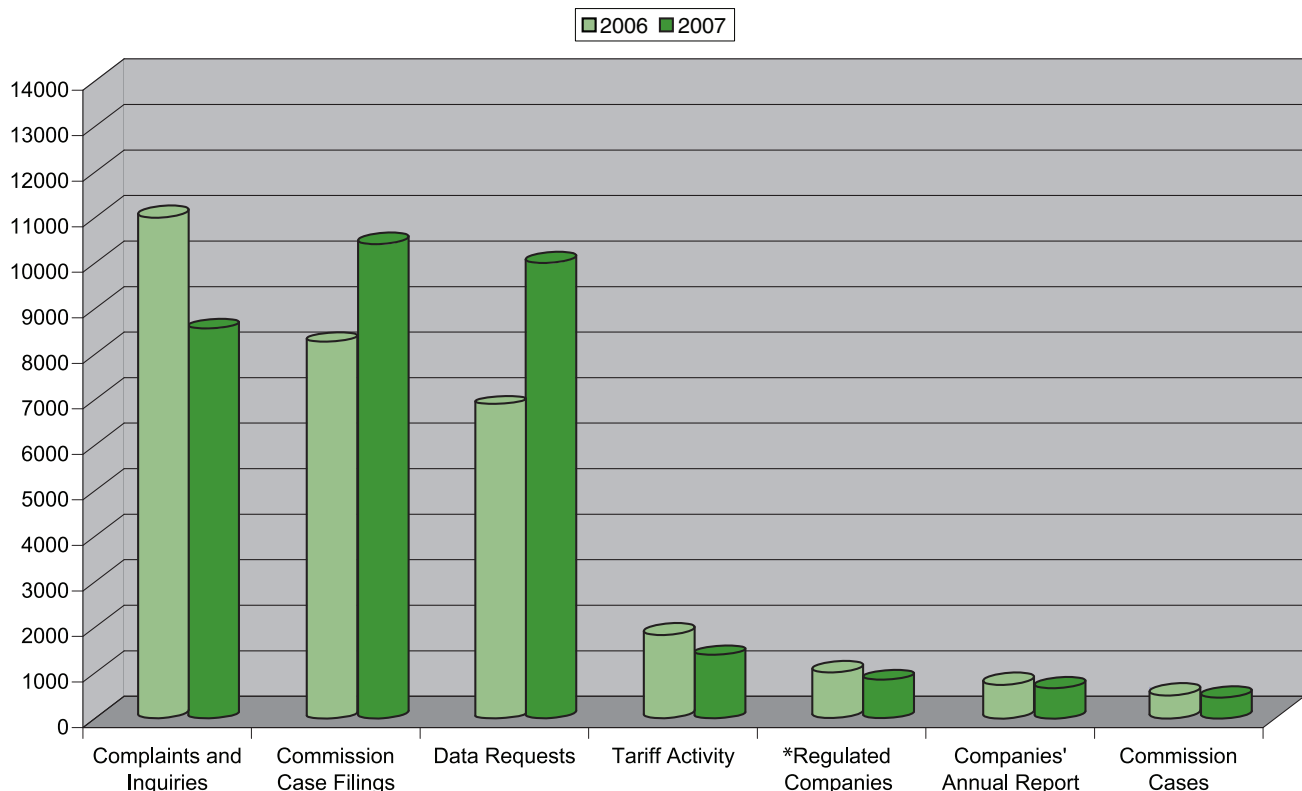
Special rules apply for water and sewer companies with fewer than 8,000 customers in Missouri, which can seek rate changes informally (larger companies must use the rate case procedure). The PSC does not regulate the rates of municipal utilities, utility cooperatives, public water supply or sewer districts, wireless telephones or cable television.

Utility Issues

Missouri PSC Authorized Number of Employees vs. Workload (2006-2007)
Figures Quoted as of 09-20-2007

FY2006 Staffing = 200.5 FTE

FY2007 Staffing = 200.5 FTE



* Not all certificated companies are required to file annual reports.

ELECTRIC

Electric rates across the nation are increasing due to the demand for additional energy. However, electric rates for Missouri's residential, commercial and industrial customers continue to be among the lowest in the nation.

Through the efforts of the Missouri Public Service Commission, Missouri's electric utilities and various parties that have participated in proceedings before the commission, all classes of Missouri customers benefit from low electric rates while receiving safe and reliable service.

The United States Energy Information Administration (EIA), a non-partisan office in the federal Department of Energy, annually ranks states according to their average rates in cents per kilowatt-hour.

RESIDENTIAL

State Name	Avg. Revenue (cents/kWh)	State Rank
Idaho	6.12	1
West Virginia	6.32	2
Washington	6.81	3
Kentucky	7.13	5
Nebraska	7.43	6
Missouri	7.47	7
Tennessee	7.74	10
Kansas	8.18	13
Oklahoma	8.43	16
Illinois	8.51	18
Arkansas	8.67	20
Iowa	9.59	31
U.S. Average	10.40	
Hawaii	23.36	50

In 2006, Missouri electric rates for residential, commercial and industrial customers were lower than the national average (see tables on this page).

COMMERCIAL

State Name	Avg. Revenue (cents/kWh)	State Rank
Idaho	5.12	1
West Virginia	5.58	2
Missouri	6.11	3
Utah	6.15	4
Nebraska	6.20	6
Kentucky	6.48	10
Arkansas	6.80	12
Kansas	6.89	13
Oklahoma	7.25	18
Iowa	7.32	19
Illinois	7.99	26
Tennessee	8.00	27
U.S. Average	9.36	
Massachusetts	15.82	49
Hawaii	21.43	50

INDUSTRIAL

State Name	Avg. Revenue (cents/kWh)	State Rank
Idaho	3.65	1
West Virginia	3.70	2
Wyoming	4.05	3
Kentucky	4.11	4
Nebraska	4.51	7
Missouri	4.61	10
Illinois	4.70	12
Iowa	4.87	14
Kansas	5.19	20
Arkansas	5.27	23
Tennessee	5.35	24
Oklahoma	5.42	26
U.S. Average	6.09	
New Hampshire	12.16	49
Hawaii	17.96	50

Source: US Energy Information Administration - 12 months ending December 2006 -Table 5.6.B, *Electric Power Monthly*, March 2007

Rate Increases

Kansas City Power & Light Company (Case No. ER-2006-0314)

-- In accordance with its regulatory plan approved by the commission on July 28, 2005, KCPL filed an electric rate case on February 1, 2006.

In this case, KCPL sought to increase annual electric revenues by approximately \$55.8 million. According to KCPL, the requested increase was necessary to implement its regulatory plan that includes the construction of a coal plant, emission control investments and wind turbines.

On December 21, 2006, the commission approved a \$50.6 million increase to take effect January 1, 2007.

The Empire District Electric Company (Case No. ER-2006-0315)

-- On February 1, 2006, The Empire District Electric Company filed an electric rate case with the Public Service Commission. Empire sought to increase annual electric revenues by approximately \$29.5 million.

Empire stated that the "proposed rate increase is driven primarily by higher costs of the fuel used by Empire in the generation of electricity. Other costs associated with providing safe and reliable electric service to Empire's customers have also increased since Empire's last rate adjustment."

On December 21, 2006, the commission approved a \$29.3 million increase to take effect January 1, 2007.

Union Electric Company, d/b/a AmerenUE (ER-2007-0002) -- On July 7, 2006, AmerenUE filed an electric rate

case with the Public Service Commission seeking to increase annual electric revenues by approximately \$360.7 million.

According to AmerenUE, the requested increase was due to significant investments in infrastructure, as well as higher operating expenses since its 2002 electric rate case.

On May 22, 2007, the commission approved a \$41.8 million increase which took effect on June 4, 2007.

Aquila (Case No. ER-2007-0004)

-- Aquila, Inc. d/b/a Aquila Networks – MPS and Aquila Networks – L&P filed on July 3, 2006, for a rate increase of approximately \$94.5 million a year for its Aquila Networks – MPS customers and \$24.4 million for its Aquila Networks – L&P customers.

Aquila stated that the requested increases were related to increasing prices in the natural gas and coal markets, increased customer usage and continued customer growth.

Within the case, Aquila also proposed implementation of a fuel adjustment clause authorized by a law passed by the legislature in 2005.

On May 17, 2007, the commission approved an increase for Aquila Networks-MPS customers of approximately \$45.3 million and an increase of approximately \$13.6 million for Aquila Networks-L&P customers. The commission also approved the first fuel cost adjustment mechanism for any electric utility under its jurisdiction. The rate change became effective on May 31, 2007.

Rate Increase Requests

Kansas City Power & Light Company (Case No. ER-2007-0291)

-- In accordance

with its regulatory plan approved by the commission on July 28, 2005, KCPL filed its second electric rate case with the Public Service Commission on February 1, 2007.

In this case, KCPL seeks to increase annual electric revenues by approximately \$45 million.

According to KCPL, the requested increase is necessary to implement air quality improvement investments in its regulatory plan as well as recover higher fuel and other operating costs. Hearings were set for October 1, 2007 through October 12, 2007.

PSC Staff Issues Storm Outage and Restoration Report

“AmerenUE should enhance its tree-trimming programs to provide for greater removal of large limbs and trees near its power lines.” That was one of several recommendations made by the PSC staff in a November 2006 report that examined the storm outage and restoration efforts of AmerenUE after severe thunderstorms in St. Louis and eastern Missouri on July 19 and July 21, 2006.

The PSC staff report found that AmerenUE needs to remove substantial amounts of vegetation along the power lines in its system including side clearances and overhangs, along feeders and sub-transmission systems.

As a result of this storm report and a severe ice storm that hit in late November 2006, the Public Service Commission opened three rulemaking proceedings intended to provide increased reliability of electric service in Missouri.

As the fiscal year came to a close, the commission was examining proposed rules regarding tree-trimming (vegetation management), electric infrastructure inspections and service reliability. Final rules are expected to be in place during the 2008 fiscal year.



PSC staff member Dan Beck inspects a tree limb near some power lines on AmerenUE's system.

Long-Term Energy Plans Approved for KCPL and Empire District Electric

In July 2005, the Public Service Commission approved a long-term energy plan presented by Kansas City Power & Light (KCPL), the Office of the Public Counsel, the PSC staff and industrial users. The plan's design is to enable KCPL to continue to provide safe and adequate service, while striking a reasonable and appropriate balance between the interests of customers and shareholders.

The PSC staff continues to monitor various aspects of the regulatory plan including:

- The construction of an 800-900 megawatt coal-fired power plant (Iatan 2) near Weston, Missouri and the environmental upgrades to Iatan 1 and LaCygne 1;
- The addition of wind generation to KCPL's resource portfolio;
- Various efficiency and affordability programs for customers; and
- Transmission and distribution system upgrades.

In August 2005, the commission approved a long-term energy plan presented by The Empire District Electric Company, the Office of the Public Counsel, PSC staff, Explorer Pipeline Company, Praxair, Inc. and the Missouri Department of Natural Resources.

The PSC staff continues to monitor the plan including:

- Empire's participation in an 800-900 megawatt coal-fired power plant (Iatan 2) and environmental upgrades at Iatan 1;
- Environmental upgrades at Empire's Asbury, Missouri plant;
- The construction of a 155 megawatt gas-fired peaking generating unit located at the Riverton

generating station in Riverton, Kansas; and

- Various efficiency and affordability programs for customers.

Senate Bill 179

Senate Bill 179 (RSMo 386.266), which took effect on January 1, 2006, provides the Public Service Commission with the authority to implement rules for electric utility fuel and purchased power cost recovery rate adjustments, between rate cases. The Public Service Commission approved fuel adjustment clause rules effective January 30, 2007.

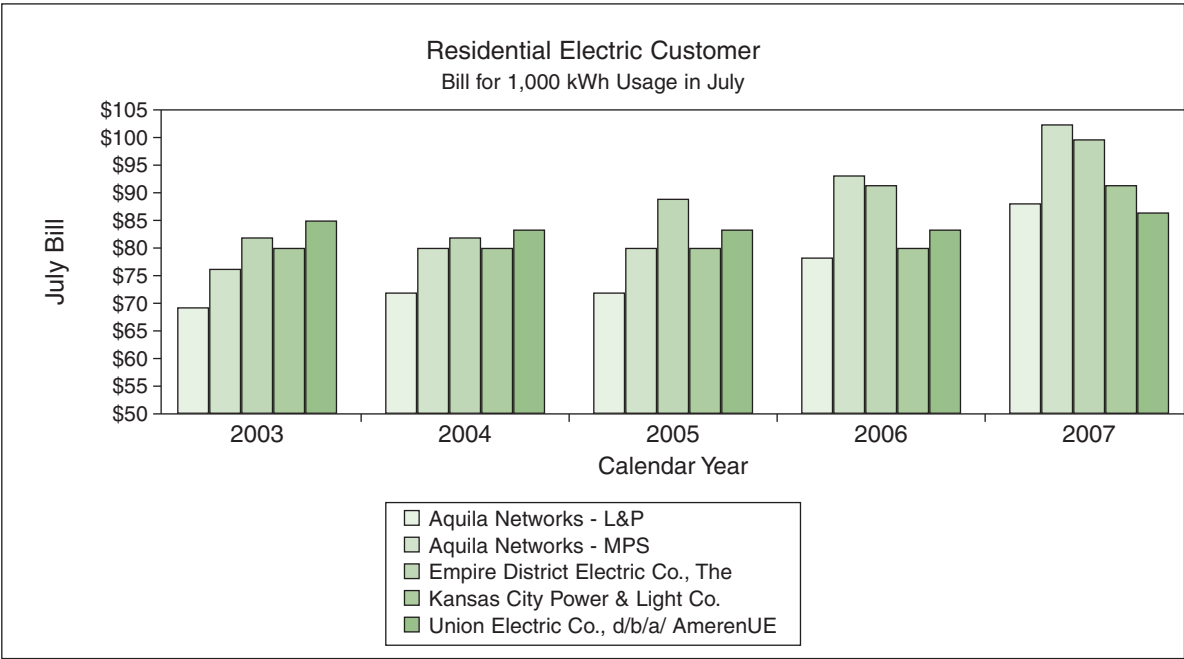
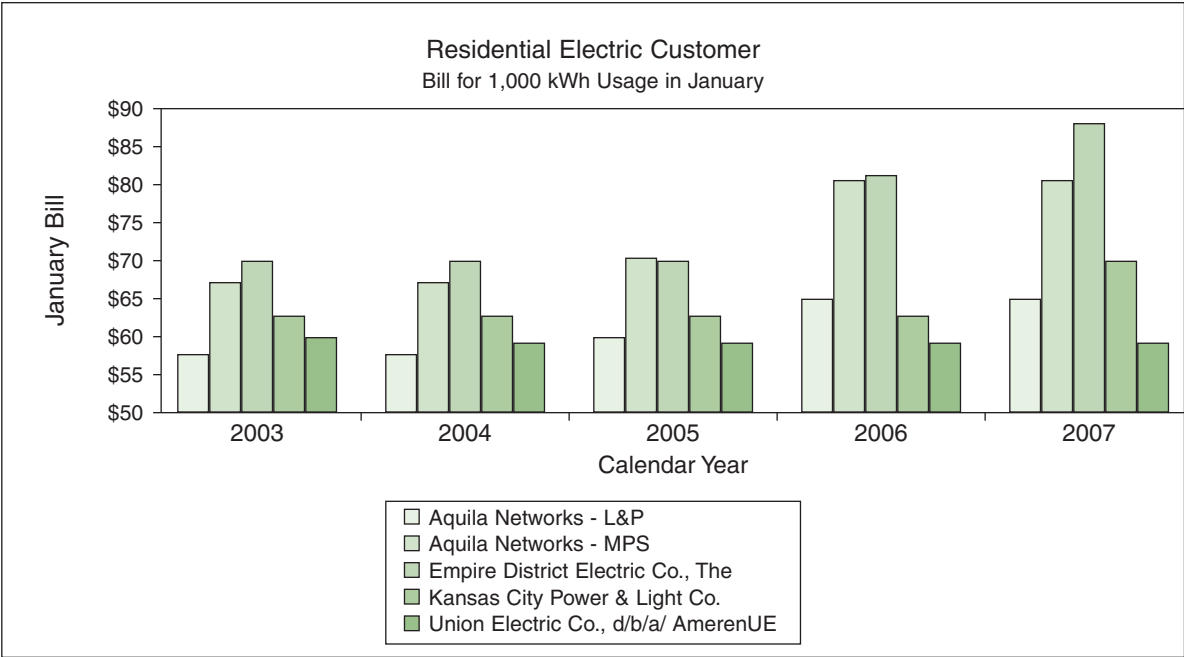
This statute also provides the PSC with the authority to implement rules for recovery of the costs of meeting environmental laws, regulations and rules through an environmental cost recovery mechanism between rate cases.

The PSC staff held collaborative meetings to develop the rules to implement the environmental cost recovery mechanism. These collaborative meetings continue and a draft rule is expected to be proposed to the commission in the fall of 2007.

In a May 18, 2007 decision, the commission granted Aquila, Inc.'s request to implement a fuel adjustment clause in order to address fuel and purchased power cost volatility. Base rates established in this electric rate case reflect a certain level of fuel and purchased power costs. The fuel adjustment clause granted in this case will reflect increases or decreases in those costs above or below those set in the base rates.

A request for a fuel adjustment clause in a rate case filed by AmerenUE was rejected by the Public Service Commission in a decision issued on May 22, 2007.

Average Electric Bills for Customers in January and June (Based on 1,000 kWh Usage)



After carefully considering the evidence and arguments of the parties, and balancing the interests of ratepayers and shareholders, the commission concluded that AmerenUE's fuel and purchased power costs were not volatile enough to justify implementation of a fuel adjustment clause at this time.

FEDERAL ACTIVITY IN ELECTRIC

Federal Energy Regulatory Commission

The major emphasis this past year at the FERC has been its issuance of Order 890, which is the federal commission's effort to decrease the discriminatory aspects of transmission service provided by non-independent entities (utilities rather than Regional Transmission Organizations).

With most of Missouri investor-owned utilities providing wholesale transmission service through RTOs, the primary impact of Order 890 is the requirement for regionally coordinated planning. Missouri has three transmission providers, including the Midwest ISO, the Southwest Power Pool and the Associated Electric Cooperatives. Because changes in the transmission system of any one of these three entities impacts the flows on the systems of the other two, it is clearly important for Missouri that transmission planning by these three entities be carefully coordinated.

Both the Midwest ISO and the Southwest Power Pool have engaged in a regional planning process for reliability needs since 2005. The Midwest ISO and the Southwest Power Pool are also in the process of developing portfolios of additional upgrades that will provide economic benefits to their regions by reducing the costs of generation.

Midwest Independent System Operator (Midwest ISO)

The Midwest ISO filed its plan with FERC for a 2008 implementation of markets for ancillary services, including regulation service (automatic generation needed to instantaneously balance generation and load) and contingency reserves (reserve generation needed to cover operating generation in case of an unplanned outage of the power system).

In moving to markets for these services, the Midwest ISO has consolidated its multiple control area operations by utilities into a single balancing authority. This will reduce the amount of regulation needed as the Midwest ISO will only be required to balance against the net interchange with imports into and exports out of the Midwest ISO region.

In addition, the Midwest ISO will consolidate into a single operating reserve sharing group and has determined the amount of contingency reserves needed to equal one and a half times the largest megawatt contingency for the Midwest ISO region. However, transmission constraints may result in the Midwest ISO specifying reserve zones within the entire region to hold minimum levels of contingency reserves to meet reliability conditions within a sub-region.

The Midwest ISO filed with FERC its plan for allocating the costs of economic upgrades that prove to be cost beneficial to the region; i.e., that meet a specified benefit-to-cost ratio. The costs would be allocated to the three planning regions within the Midwest ISO (North, Central and East) based on proportion of benefits and then to pricing zones within each planning region based on percentage of load.

AmerenUE is in the Central planning zone. FERC has approved this plan, and the Midwest ISO is currently working on developing a portfolio of economic upgrades for its 2008 transmission expansion plan.

Economic upgrades are those not needed for reliability, but result in decreased production costs within the zone. This reduction in production cost along with decreases in wholesale electricity prices are used to measure benefits. For a project at or above 345 kV taking five years to implement, benefits must exceed costs by a factor of two in order for that project to qualify for the cost allocation.

Southwest Power Pool (SPP)

The major accomplishment in the SPP this year has been the start-up of a real-time energy imbalance market. The purpose of this market is to facilitate the trading of electricity among utilities as well as providing fully non-discriminatory market access to independent power producers. Instead of having a day-ahead market with financial transmission rights, the SPP energy imbalance market requires utilities to commit day-ahead sufficient generation to meet its forecast of the next day's peak load, and then trading occurs in real time based on bids from generation units that are on-line. Since starting up in February 2007, the market has operated without any significant problems.

The SPP hired consultants to perform a 20-year look ahead at transmission requirements based on potential additional needs coming from demands for wind power that might be required by renewable energy standards adopted either by federal or state legislation. The plan was to provide an extra high

voltage backbone system that would allow the added demand for wind power to be exported from the SPP region. The plan would include a new 765 kV line across Missouri (from Kansas City to St. Louis) and a new 500 kV line from Kansas City into northwest Arkansas. The plan is currently just a proposed vision for the future, but the SPP will be working on refinements of the plan that will include possible implementation schedules.

Commission Participation in Regional Transmission Organizations

This year, Missouri Commissioner Steve Gaw served as the Missouri Public Service Commission representative on the Board of Directors of Organization of Midwest ISO States (OMS) and the SPP Regional State Committee (RSC).

The OMS has continued to focus on the question of resource adequacy within the Midwest ISO footprint. The OMS has supported having reserve requirements for utilities. Instead of the Midwest ISO operating a formal capacity market, the OMS instead supports MISO providing a bulletin board exchange to facilitate bilateral arrangements for capacity.

Allowing demand response resources to qualify as capacity to meet reserve requirements is critical to having viable operating capacity markets. In this respect, the OMS in conjunction with funding from the U.S. Department of Energy has started developing recommendations regarding ways to encourage the development of demand response as a viable resource into both the capacity markets and the Midwest ISO energy and ancillary services markets.



Part of the Gary County wind farm operated by Aquila near Dodge City, Kan. The blades are 67 feet long.

In January 2007, the Southwest Power Pool and regional state committee began meetings through its Cost Allocation Working Group to develop cost allocation proposals for economic upgrades within the SPP.

Because of the smaller size of the SPP region, and because it is highly interconnected with its neighbors (particularly Entergy, AECI and Midwest ISO), working out seams agreements regarding how to share in the costs of upgrades that also benefit neighbors is a critical component to any cost allocation proposal.

In addition, the SPP RSC wants to see the economic evaluation done using a planning process similar to integrated resource planning processes such as those currently used in Missouri and Arkansas.

NATURAL GAS

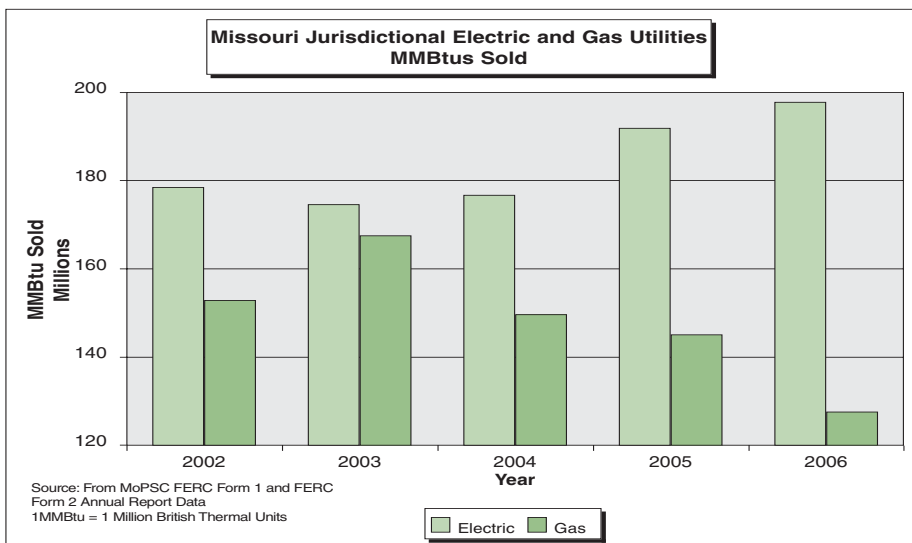
Changes to the PSC Cold Weather Rule

On August 17, 2006, the Public Service Commission adopted a number of permanent changes to its

Cold Weather Rule to assist Missouri natural gas customers faced with high heating bills. The new provisions incorporated many of the changes made on an emergency basis in December of 2005.

Rule changes include:

- ✓ More lenient payment terms permitting reconnection of service for natural gas customers.
- ✓ Immediate enrollment in a budget billing plan for any customer, including those who may be in arrears.
- ✓ Any customer entering into a Cold Weather Rule payment plan who complies with the terms of the plan will be treated on a forward-going basis as a customer who has never defaulted on a Cold Weather Rule payment plan.
- ✓ Any customer calling the natural gas company and indicating that he/she is having difficulty paying his/her bill, will be informed of all of his/her options.



In existence since 1977, the Cold Weather Rule also prohibits the disconnection of heat-related service when the temperature is predicted to drop below 32 degrees during the following 24-hour period; ensures customers are given adequate notification of a proposed discontinuance of service; and prohibits the disconnection of service for registered elderly and disabled customers who meet certain income guidelines and who make a minimum payment.

Estimated Billing Complaint

In December of 2006, the Public Service Commission approved an agreement that provided bill credits of at least \$500,000 to residential customers of Laclede Gas Company who received a catch-up bill on or after November 1, 2004, for a period that exceeded 12 consecutive months of estimated usage.

The agreement settled an estimated bill complaint filed by the Office of the Public Counsel against Laclede. OPC had alleged Laclede violated PSC regulations by billing customers for estimated gas usage for more than 12 months without obtaining an actual meter reading.

The commission said the agreement significantly benefits Laclede customers, particularly those who were most affected by the company's billing practices. To those customers, Laclede will be required to provide a bill credit for the gas that they actually used to compensate them for any hardship they may have suffered. Also under the agreement, Laclede will limit any residential billing of an undercharge to no more than 12 months from the date it obtains an actual meter reading.

Laclede Gas Company's Rate Case

On December 1, 2006, Laclede Gas Company filed a rate case seeking to increase annual non-gas revenues by approximately \$53 million including amounts currently being recovered by Laclede through its Infrastructure Replacement Surcharge (ISRS). Laclede stated that the proposed increase was needed to cover increased costs related to

operating and maintenance expenses.

Laclede's filing also reflected a "regulatory compact" that included incentive plans, customer service choice, and the encouragement of conservation efforts for its customers.

On July 19, 2007, the commission approved an agreement reached by parties in the case that authorized Laclede to increase annual non-gas revenues by approximately \$38.6 million effective August 1, 2007. The agreement included annual funding of approximately \$1.6 million for experimental weatherization/low-income programs.

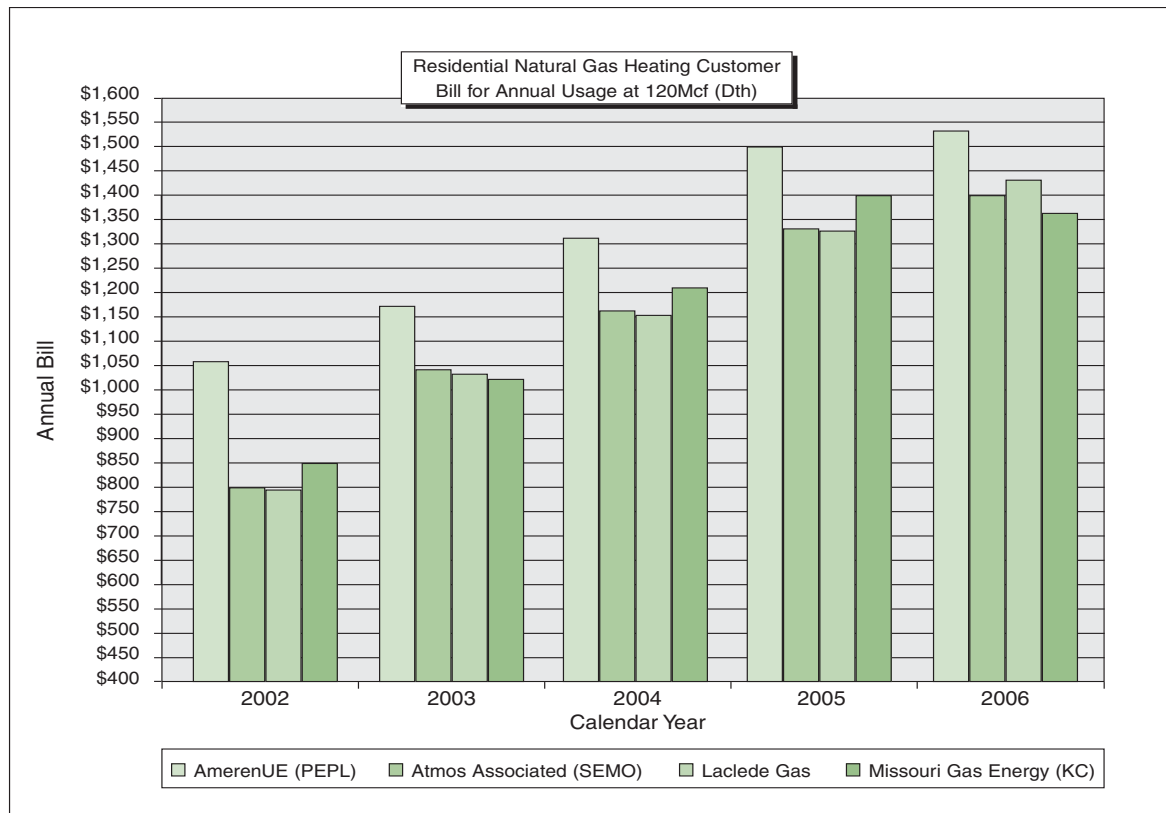
The agreement also provides for an approximate one-time gas cost credit of \$6 million and an ongoing estimated gas cost credit of \$6 million for off-system sales and capacity releases. Laclede serves approximately 631,000 gas customers in Missouri.

Missouri Gas Energy's Rate Case

On May 1, 2006, Missouri Gas Energy filed a rate request with the Public Service Commission seeking to increase non-gas annual revenues by approximately \$41.7 million.

MGE stated that the proposed increase was needed to recover increased costs of providing service to customers. MGE also stated that the increase in rates related to items such as: significant new gas facilities investment, increases in wages, bad debts, and the fact that overall average usage per customer had decreased from the average usage set in the last rate case.

On March 22, 2007, the commission approved an increase of approximately \$27.2 million.



The commission approved a straight fixed variable rate for MGE's residential customers. MGE will recover all of its non-gas costs through a monthly fixed delivery charge. MGE serves approximately 510,000 gas customers in Missouri.

Atmos Energy's Rate Case

On April 7, 2006, Atmos Energy filed a rate request designed to increase Atmos' annual non-gas revenues by approximately \$3.4 million. Atmos stated the proposed increase was needed to recover increased operating costs and investments to maintain service reliability and safety to its customers. Atmos also stated that the increase in rates was related to an approximate \$22 million investment in its gas delivery system and a rate structure that will enable it to continue to provide excellent service to its customers. Atmos also sought

to consolidate its tariffs from three companies into one system.

On February 22, 2007, the commission issued an order reflecting that non-gas revenues would not increase. A straight fixed variable rate for Atmos was approved under the condition that Atmos contribute approximately 1% of its annual non-gas gross revenues (or approximately \$165,000) for energy efficiency and conservation programs. Atmos agreed to provide these programs.

The commission also approved the consolidation of Atmos' six separate tariffs into one consolidated tariff. This consolidation led to three new districts identified as NEMO (Kirksville, Palmyra, Hannibal/Canton and Bowling Green districts), SEMO (Neelyville and SEMO districts) and WEMO (Greeley and Butler districts) along with the consolidation of Atmos' PGA districts into four. Atmos

serves approximately 59,800 gas customers in Missouri.

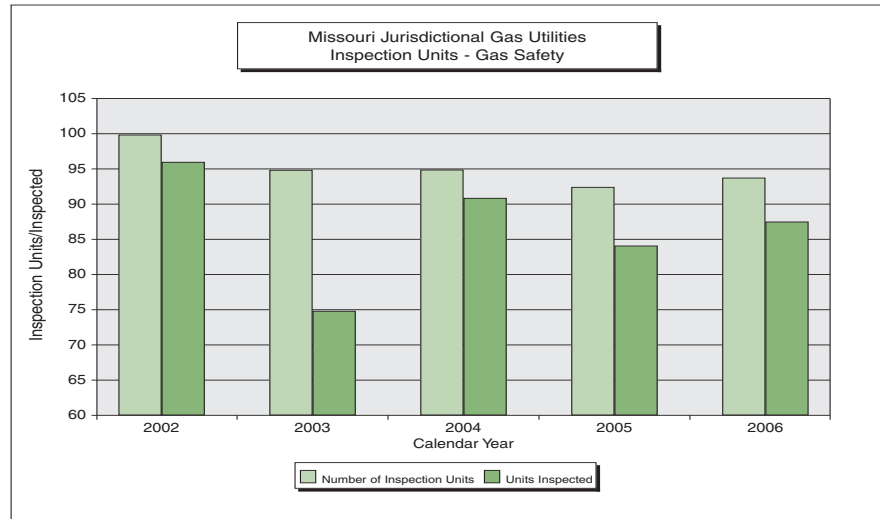
AmerenUE's Rate Case

On July 7, 2006, Union Electric Company d/b/a AmerenUE filed a rate request with the PSC seeking to increase non-gas operating revenues by approximately \$11 million a year. AmerenUE stated the proposed increase was needed to recover increased costs related to operating and maintenance expenses, depreciation and taxes, and costs associated with the additional investment in gas distribution facilities since its last rate case.

On March 15, 2007, the commission approved an agreement reached by parties in the case. That agreement called for AmerenUE to increase annual non-gas operating revenues by approximately \$6 million. The agreement includes annual funding of \$363,000 for weatherization and energy efficiency programs. The commission also approved the consolidation of AmerenUE's four PGA districts into two. The PEPL, NGPL and TETCO PGA districts were combined into one district, while the Rolla/Owensville/St. James areas remained as a separate district.

NATURAL GAS SAFETY Gas Safety/Engineering Activities

The PSC's pipeline safety program is carried out by the gas safety/engineering staff of the Utility Operations Division's Energy Department. The gas safety/engineering inspectors



are involved in an on-going field inspection program consisting of annual comprehensive pipeline safety code compliance inspections of the jurisdictional natural gas operators. In addition, specialized code compliance inspections, follow-up inspections, gas incident investigations, construction and safety-related consumer complaint investigations are also conducted. The commission has pipeline safety jurisdiction over three intrastate transmission pipelines, seven investor-owned natural gas distribution utilities, 40 municipally owned natural gas distribution systems, a gas distribution system operated on the Department of Defense facility at Fort Leonard Wood, two transmission pipelines serving power plants, and two piping systems supplying landfill gas (one to a high school and one to a large industrial customer). These operators are divided into more than 90 separate units for inspections, which include more than 900 miles of transmission pipelines, approximately 26,000 miles of mains, and approximately 1.5 million service lines.

FEDERAL NATURAL GAS ACTIVITIES

Decisions by the Federal Energy Regulatory Commission directly impact Missouri ratepayers. Missouri's local distribution companies, including both natural gas utilities and electric utilities that generate energy with natural gas powered combustion turbines, must rely on FERC-regulated interstate pipelines for delivery and storage of their natural gas supplies. The PSC believes its involvement in FERC and related judicial proceedings is necessary to ensure that Missouri consumers receive reliable service at reasonable rates.

There are currently 10 interstate pipelines directly serving Missouri, with an additional four to six upstream pipelines also being used by Missouri utilities to transport or provide storage for their natural gas supplies. The PSC actively participates in company-specific and generic proceedings at FERC, focusing on those pipelines having the greatest impact on Missouri consumers and those where representation of Missouri interests is otherwise limited or absent.

The three pipelines delivering a majority of the state's natural gas to Missouri LDCs are: Panhandle Eastern Pipe Line Company, LP (Panhandle), Southern Star Central Gas Pipeline Inc. (SSC), and CenterPoint Energy-Mississippi River Transmission Corporation (MRT). Both Panhandle and SSC serve a number of systems across the state, beginning on the western side and crossing through Missouri to the eastern side of the state. SSC has several pipelines that enter Missouri to serve the Kansas City, St. Joseph, Springfield and Joplin areas and a small lateral terminating

in St. Louis. Panhandle has one main pipeline entering the state near Freeman, Missouri, crossing north of Columbia and exiting near Louisiana, Missouri. Panhandle serves Kansas City, central Missouri and St. Louis. MRT's pipeline enters Missouri in Ripley County and extends to Ste. Genevieve and the St. Louis area. MRT serves St. Louis and portions of southeast Missouri.

Department Focus During the 2007 Fiscal Year

The PSC intervened in a number of FERC proceedings filed by interstate pipelines to set their fuel and lost-and-unaccounted-for-gas (LUFG) rates. FERC allows pipelines to adjust these rates based upon the actual usage experienced during the last period. The interventions allow Missouri to participate in the proceedings and any settlement discussions that may occur. The majority of these fuel and LUFG rate filings are accepted and approved by FERC without issue.

Southern Star Central Gas Pipeline Inc.

The PSC filed an intervention and protest to SSC's annual filing to set its LUFG rate (RP07-96) for natural gas storage operations. FERC agreed with the PSC's protest and the request of other intervenors for FERC to schedule a technical conference to discuss the issues and possible solutions to the LUFG rate increase. SSC's increasing storage-related LUFG rate has been an issue for the PSC for several years. The proposed storage LUFG rate had increased to a significant level. SSC has, in prior FERC cases, stated that the storage LUFG rates tend to cycle with both peaks and troughs, yet no trough has occurred. Both the PSC and the

QUICK FACT

The Missouri Association of Natural Gas Operators is a nonprofit organization comprised of Missouri natural gas operators (investor-owned and municipal systems). These operators work together with the PSC Gas Safety/Engineering staff to enhance the operations and safety of natural gas systems throughout the state.

Kansas Corporation Commission have been active in this case.

SSC has also filed at FERC for approval to complete improvement/expansion projects at three of its Kansas natural gas storage fields. The PSC has intervened in one of these cases (CP07-89). SSC anticipates filing three additional natural-gas-storage-field-improvement or expansion cases at FERC in 2007-2008. The regulation of storage fields located within the state of Kansas has led to more stringent environmental guidelines that are being addressed in the FERC storage field cases. The migration of natural gas out of the storage fields and venting of natural gas by oil well producers has contributed to increased fuel losses. It is anticipated that the SSC improvements or expansions at the natural gas storage fields will help reduce the percentage of LUFG in the future, thus reducing costs to customers.

The PSC filed comments in Docket No. RP07-96 in support of the natural gas storage field improvements yet reserved its right to continue to challenge the LUFG if reductions don't occur. The outcome of the protest is still pending.

Southwest Gas Storage Company

The PSC filed a notice of intervention in the FERC Natural Gas Act Section 5 complaint case (RP07-34) filed against Southwest Gas Storage Company (SWG). SWG is an affiliate of Panhandle. This case was filed in October 2006 by a group of complainants as a result of an analysis that indicated that, based upon its current rates, SWG was overearning and, therefore, a rate reduction was appropriate. The PSC participated in

discussions with the complainants and in the analysis that led to the complaint filing, but filed its intervention independently.

There are a number of policy issues that FERC may address as a result of the Section 5 complaint case. Few NGA Section 5 cases have been litigated at the FERC in recent years. Testimony has been filed in this case by the PSC to support a rate reduction in the natural gas storage costs charged by SWG to Panhandle, its only customer. Panhandle's natural gas storage customers include Missouri local distribution companies. Additional testimony and hearing proceedings are scheduled for September and October 2007. As a result of the complaint case, on August 1, 2007, SWG filed for a rate increase (RP07-541). The PSC filed an intervention and protest in the SWG rate increase case on August 13, 2007. The outcome of these proceedings is pending.

MoGas Pipeline Company and Missouri Interstate Gas

The PSC filed a protest of the cost and revenue study filed by Missouri Interstate Gas to justify continuing its rates in May 2005 (RP06-274). The protest requested discovery and technical conference procedures, and requested MIG be required to reduce its maximum tariff rates effective April 2006, with revised interim rates being subject to refund and the final outcome of this proceeding. The FERC declared this case moot effective with the issuance of its order on April 20, 2007 in Docket No. CP06-407 et al., related cases to this proceeding.

CP06-407, CP06-408 and CP06-409 were filed at the end of June 2006. MIG and two affiliated intrastate pipelines, Missouri Gas



A natural gas fired turbine facility.

Pipeline (MGC) and Missouri Pipeline Company (MPC), requested FERC recognize the three pipelines as one interstate pipeline regulated by the FERC. The PSC filed a protest in Docket No. CP06-407 et al. The protest challenged the ability of the intrastate pipelines to become FERC regulated without PSC approval. The protest also identified numerous instances of excessive costs being included in the cost-of-service from which the tariffs were derived. Currently, the two affiliated pipelines are regulated

by the PSC until the MoGas FERC tariffs become effective October 1, 2007 or later, pending these proceedings. The PSC has filed with the FERC a request for rehearing of the April 20 order. MoGas filed compliance tariffs with FERC on July 5, 2007. The compliance tariffs reflect an annual reduction in charges to Missouri customers of approximately \$2 million from the originally filed tariffs. The PSC filed a request that FERC reject the compliance tariffs because, in its view, the tariffs contained numerous deviations from what was ordered by FERC. The outcome of these proceedings is pending.

In regard to the jurisdictional question raised in these cases, the PSC has also filed an injunction at the Missouri Western District Court of Appeals to stop the implementation of the transfer of the intrastate pipelines (MGC and MPC) jurisdiction from the PSC to the FERC. This case is pending.

Laclede Pipeline Company (LPC)

The PSC filed a protest to LPC's filing with the FERC to establish a common carrier tariff detailing services and rates with

FERC for its liquefied petroleum gas service on its pipeline connecting its propane injection and storage to propane supply line in Illinois. The PSC sought rehearing on discriminatory pricing and over-recovery issues in the tariff, as well as the necessity of establishing such an interstate tariff at all. A court appeal was also filed regarding these issues during 2006. The FERC issued a denial of the rehearing request on June 5, 2007. The PSC has filed an appeal to the U.S. Federal Court of Appeals, District of Columbia asking for rehearing of the FERC decision. The decision is pending.

Rockies Express Pipeline, LLC

The PSC intervened in FERC Docket Number CP07-208. Rockies Express Pipeline, LLC (REX), an affiliate of Kinder Morgan Energy Partners LP, requested approval of the second phase of its new interstate pipeline construction project. The new interstate pipeline will ultimately transport natural gas from production fields in the Rocky Mountains to customers on the East Coast. The REX will pass through Missouri during its second phase. A REX interconnection with Panhandle will occur near Mexico, Missouri in Audrain County and is scheduled for completion in January 2008. Construction will then proceed further east to Ohio during the pipeline's third phase with a January 2009 projected completion date. A fall visit is being planned by the PSC to the REX construction site near Mexico, Missouri. The PSC is monitoring the filings in this case.

Other Proceedings

PSC comments were filed to several Notice of Proposed Rules

issued by FERC. The PSC filed comments in RM07-1, *Standards of Conduct for Transmission Providers*, to ask that FERC retain some of the provisions of Order 2004, which had been vacated by the U.S. Court of Appeals for the District of Columbia. In RM07-9, *Assessment of Information Requirements for FERC Financial Forms Enhancements*, the PSC commented on improvements that could be made to the annual report forms. The annual report forms filed by the FERC-regulated pipelines provide critical financial information to the public.

The PSC also filed comments in RM07-4 and RM06-21. FERC had been asked to provide additional clarification of its capacity release requirements and then requested input from the public on the impact of removing some of its requirements. The PSC's comments supported the continued posting of capacity release transactions and a continued prohibition on tying arrangements. Both of these provisions help enable market transparency and competition which may result in lower costs to customers.

Projects

An investigation was conducted into the natural gas rates being charged to Panhandle farm tap customers after receiving several complaints. Public meetings were held in Sedalia and Mexico to listen to concerns of farm tap customers. Discussions were also held with DaCott Industries, the natural gas procurement and billing contractor providing the farm tap customer service, and with Panhandle representatives. A number of enhancements were made to the billing process and to the availability of DaCott for answering customer inquiries. A report was issued by Commissioner Robert Clayton.

Interstate pipeline capacity issues and the impact of restricted access to firm transportation gas service on Missouri economic development was investigated by the PSC. Alternative sources of energy, along with the use of backhaul from other pipelines, and construction on the interstate pipeline of additional compression or looping were explored as solutions to the limited availability of pipeline capacity throughout the state. This issue will continue in the future, especially for industrial customers requiring large volumes of natural gas, such as ethanol plants. The PSC will provide interstate pipeline contact information to be distributed to potential industrial natural gas customers to facilitate addressing this problem early in the planning stages when solutions and alternatives can best be analyzed to determine which is most economic.

PROCUREMENT ANALYSIS

Natural Gas ACA Activities

There are seven natural gas local distribution companies serving Missouri – AmerenUE, Atmos Energy Corporation, Empire District Gas Company, Laclede Gas Company, Missouri Gas Energy, Missouri Gas Utility, and Southern Missouri Natural Gas.

The Procurement Analysis Department conducts an Actual Cost Adjustment review annually at the end of each ACA period for each natural gas local distribution company. A primary purpose of the ACA process is to reconcile the company's actual gas costs with what it charged customers (its billed revenues). In its purchased gas

QUICK FACT

There are seven natural gas local distribution companies serving Missouri. The PSC staff performs an Actual Cost Adjustment review annually at the end of each ACA period for each natural gas local distribution company.

adjustment filings the company estimates its gas costs for the upcoming year. In the ACA, the estimate is reconciled with the actual prudently incurred cost of gas. In this function, the Procurement Analysis Department staff reviews the gas purchases of the LDC to ensure that the claimed costs are properly attributed to the period under review and that the pipelines and natural gas suppliers have charged or invoiced the LDC for the volumes nominated and received at the proper contract rates. A comparison of billed revenue recovery with actual gas costs will normally yield either an over-recovery or under-recovery of the ACA balances.

Another purpose of the ACA process is to examine the reliability of the LDC's gas supply, transportation, and storage capabilities. For its analysis, staff reviews the estimated peak day requirements and the capacity levels to meet those requirements, peak day reserve margin and the rationale for this reserve margin, and natural gas supply plans for various weather conditions.

A third purpose of the ACA process is to review the LDC's gas purchasing practices to determine the prudence of the company's natural gas purchasing and operating decisions. Staff will consider the financial impact on customers of the LDC's use of its gas supply,

transportation and storage contracts in light of the conditions and information available when the operational decisions were made.

The Procurement Analysis Department, in conjunction with other staff, held discussions with the LDCs with regard to their hedging activities for the 2006/2007 winter and 2007/2008 winter. These discussions were held to inquire as to whether the LDCs were taking actions to mitigate the effects of potential winter price spikes on its price of gas.

Other Proceedings

Staff assisted in the review of rate cases in the areas of natural gas incentives for LDCs to reduce costs for customers, including gas supply incentive plans, capacity release and off-system sales. There were also energy efficiency programs to encourage customers to make their homes and businesses more energy-efficient, sales cases where gas companies proposed to change ownership, and certificate cases where existing or new companies had plans to expand or bring natural gas to areas without this service. As an example, along with the assistance of other parties in the Laclede rate case, Procurement Analysis helped ensure that the majority of benefits associated with off-system sales and capacity releases were flowed through to the customer.

TELECOMMUNICATIONS

Legislation

The 2007 Video Services Providers Act: The Missouri legislature passed Senate Bill 284 allowing the Missouri Public Service commission to issue video service authorizations.

The commission's authority is limited to the video service application process and does not include any authority over video service provider rates or quality of service issues.

A workshop was conducted by the Missouri Public Service Commission in June 2007 to discuss and solicit feedback about the commission's video service application process. The bill went into effect August 28, 2007.

cal year, CenturyTel, Spectra, AT&T and Embarq had received competitive classification for residential and business services for several different exchanges.

Section 392.245.5 RSMo (2005) requires the commission to review the status of competition in any exchange deemed competitive in which the Incumbent Local Exchange Company (ILEC) increases basic local rates. AT&T increased basic local rates in competitive exchanges in 2006 and a case was initiated to investigate whether competitive conditions continue to exist in AT&T exchanges. The commission ultimately concluded competitive conditions continue to exist in exchanges previously deemed competitive.

Competitive Status

Competitive status allows a company to raise or lower its telephone prices at its own discretion, subject to the marketplace.

Competitive status is granted to residential services and/or business services within an exchange if two other qualifying entities are providing local voice service within the exchange. By the end of the 2007 fis-

Expanded Calling

On October 22, 2006 the St. Louis metropolitan calling area (MCA) plan was expanded to include the Beaufort, St. Clair, Union and Washington exchanges as Tier 5 exchanges. On March 1, 2007 the exchanges of Foley, Holstein, Marthasville, Warrenton and Wright City were added as a new Tier 6 of the St. Louis MCA.

Number of Competitively Classified Exchanges

<u>Company</u>	<u>Residential</u>	<u>Business</u>
CenturyTel	16	10
Spectra	13	4
AT&T	77	75
Embarq	13	9
Totals	119	98

Formal Complaints

Staff vs. Comcast IP Phone, LLC: On September 21, 2006 the PSC staff filed a complaint against Comcast IP Phone, LLC for providing a telecommunications service without proper authorization from the PSC. Comcast IP Phone, LLC is affiliated with Comcast the cable TV company and it claims the PSC lacks jurisdiction over its services. The company provides a Voice over the Internet Protocol (VoIP) service that the company claims should not fall under state regulation. The case is pending.

-- 99.78% of all attempted calls were completed without a problem.

-- 1.92% of consumers experience a service problem on an average day.

-- 59% of trouble reports pertain to an out-of-service condition.

-- 88.07% of out-of-service conditions are restored within 24 hours.

-- 95.33% of commitments to address a trouble report were met.

Rulemakings

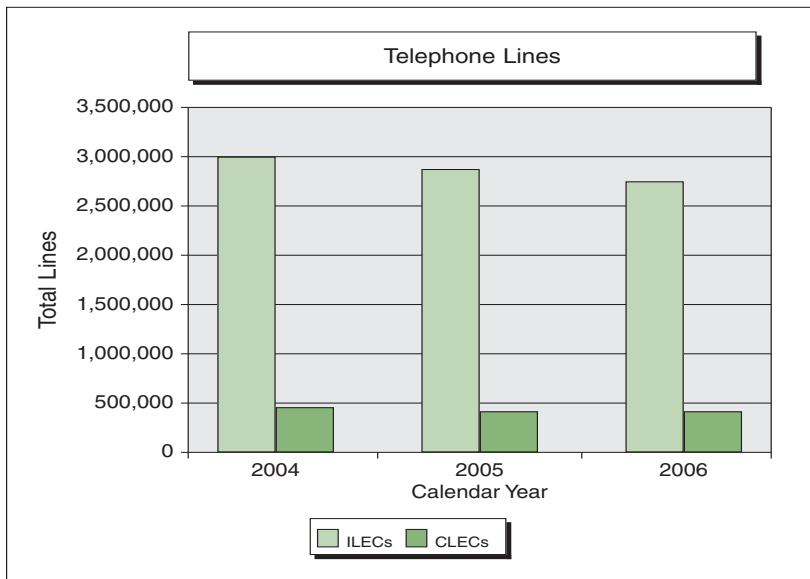
One day tariff filing

(TX-2006-0429): The proposed rulemaking modified 4 CSR 240-3.545(16) to recognize rate decreases are allowed through a tariff filing with a one-day effective date consistent with Section 392.500 as modified by SB 237, effective August 2005. A public hearing was held July 20, 2006 and the final order of rulemaking became effective at the end of 2006.

Thousands-block number

pooling (TX-2007-0086): The commission was granted delegated authority by the FCC to implement mandatory thousands-block number pooling in the 417, 573, 636 and 660 area codes. The rulemaking establishes timeframes and guidelines for implementing pooling and number conservation efforts. The rule creates a new Chapter 37 and was approved by the commission in December 2006. The rule became effective on March 30, 2007.

Mediacom's waiver request of 4 CSR 240-32.080(5) (A) (TE-2006-0415): On April 25, 2006 Mediacom applied for a waiver of this rule. Essentially Mediacom claims it is unable to



Telecommunications Quality of Service

The following information is based on the quarterly quality of service results during the past fiscal year for all companies providing basic local telephone service:

-- 94.79% of basic local service requests were installed within five days.

-- 96.48% of installation commitments were met.

comply with this rule because it uses a third party provider to complete the processes needed to transfer customers from their current telecommunications provider to Mediacom. A hearing was held in January 2007. Mediacom's request was denied.

211 Service: 211 service is designed to allow callers dialing "211" to reach an information and referral service. The commission issued an order designating the United Way of Greater St. Louis as the information and referral provider for various exchanges, effective May 21, 2007. In June 2007, the commission issued an order granting a request by the Heart of America United Way (HAUW) to continue as the information and referral provider in the Kansas City area. 211 service should be available statewide by the end of 2007.

511 Service: 511 service is designed to allow callers to dial "511" for traffic-related information. The Missouri Department of Transportation (MoDOT), through a partnership arrangement with Traffic.com, began providing traffic information utilizing the 511 dialing code on May 11, 2007. MoDOT elected to provide 511 service to St. Louis City and County, as well as Franklin, Jefferson and St. Charles counties because of significant road construction beginning in that area of the state. The 511 dialing code is currently not available in any other areas of the state. Although all carriers in MoDOT's 511 area should have the technical capability to provide 511 service, MoDOT's use of 511 service is currently limited to certain carriers.

811 service: 811 service is designed to allow callers to dial "811" to be connected to a "call before you dig" service. AT&T filed a tariff to offer 811 dialing capability to an 811 service provider. The commission ultimately approved AT&T's filing.

Universal Service Funds

Missouri Universal Service Fund: Currently the Missouri Universal Service Fund (USF) solely provides funding for discounts to qualifying low income and disabled customers. There are approximately 60,000 low income/disabled subscribers in Missouri receiving support. Funding is generated through an assessment applied to telecommunications company revenues. The Missouri USF is administered by the Missouri Universal Service Board (Board) comprised of the five commissioners and the public counsel of the Office of the Public Counsel. During 2006, the Board met periodically to address and review issues related to the Missouri Universal Service Fund. These meetings consisted of review of fund financial statements, approval of carriers eligible to receive disbursements, approval of fund administrator invoices and other issues that periodically arose.

Eligible Telecommunications Carrier Status: In order to receive financial support from the federal universal service fund, a company must demonstrate to the state regulatory commission that it meets the requirements for eligible telecommunications carrier status. During the past year, the commission granted ETC status to: US

Telephone Numbers

Missouri's area codes are projected to exhaust all available telephone numbers at the following time periods:

314 -- 2nd quarter of 2015

417 -- 1st quarter of 2011

573 -- 3rd quarter of 2011

636 -- 3rd quarter of 2027

660 -- 3rd quarter of 2015

816-- 3rd quarter of 2015

NOTE -- Forecast as approved by the FCC in 2006. Relief planning generally starts three years prior to exhaustion date. It should be noted that these projections do not reflect the effect of the commission's recent number conservation efforts, which, by rulemaking, became effective on March 30, 2007.

Cellular (May 3, 2007), Northwest Missouri Cellular (NWMC) and Missouri RSA No. 5 Partnership d/b/a MO5 (both September 21, 2006). The commission rejected VCI Company's application for ETC status. In addition, the commission granted the request of Mark Twain Communications Company, a competitive local exchange carrier (CLEC), to redefine the study area that determines the financial support the company receives.

Federal Telecommunications Activity

National Association of Regulatory Utility Commissioners (NARUC): Commissioner Robert Clayton is a member of the NARUC Telecommunications Committee and is assisted by a staff member of the commission on the Telecommunications Staff Subcommittee. The purpose of NARUC's Telecommunications Committee is to provide and coordinate the resources needed to develop in-depth analyses of telecommunications issues, particularly the implications of various policy choices on the development of a modern, high quality and ubiquitous telecommunications infrastructure serving the needs of all consumers. During the past year the committee studied such areas as universal service reform, intercarrier compensation and broadband deployment.

NARUC Task Force for Intercarrier Compensation: Commissioner Connie Murray was a member of the NARUC Task Force for Intercarrier Compensation. Missouri PSC staff members also participated and conducted work with the task force. Intercarrier compensation refers to the fees charged by one carrier to

another carrier for the use of the carrier's network to originate and/or terminate calls. Since its formation in 2003, the task force conducted numerous workshops and meetings seeking a consensus solution to the problems with the existing intercarrier compensation regime. An industry solution, known as the Missoula Plan, was submitted to the FCC in July 2006 in CC Docket No. 01-92. The task force did not take a position on the Missoula Plan, but the Missouri PSC filed comments with the FCC outlining several concerns with the proposal.

North American Numbering Council (NANC): Commissioner Robert Clayton is a member of the North American Numbering Council. NANC is a federal advisory committee designed to advise the FCC on telephone numbering issues and to make recommendations that foster efficient and impartial telephone number use and administration. NANC is composed of representatives of telecommunications carriers, regulators, cable providers, VoIP providers, industry associations, vendors and consumer advocates. NANC meetings are generally held six times a year.

Universal Service Joint Board: In April 2007, commission staff member Natelle Dietrich was appointed to the staff of the Universal Service Joint Board. The Universal Service Board makes recommendations to the FCC on issues related to promoting universal telecommunications service throughout the United States. The Board recently recommended a cap on the federal funding provided to competitive carriers and is currently reviewing several proposals to reform the federal universal service support program.

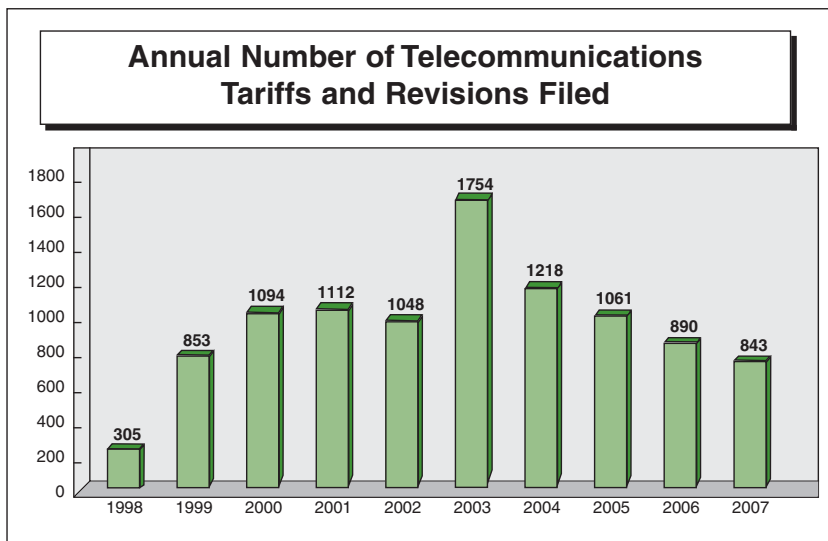
Comments to FCC Proceedings: The Missouri Public Service Commission continues to actively participate in a number of telecommunications issues before the FCC. During the past fiscal year, the commission filed comments with the FCC on a variety of issues including:

- Access to Internet-based forms of Telecommunications Relay Services (TRS), namely Video Relay Service (VRS) and Internet Protocol (IP) Relay. The MoPSC identified practical issues related to reimbursing TRS and VRS providers and suggested that such issues need to be addressed before the FCC gives any serious consideration to allocating such costs to intrastate jurisdictions.
- The misuse of the two Internet-based forms of telecommunications relay service (TRS): Internet Protocol Relay Service (IPR) and Video Relay Service (VRS). The PSC worked with the Relay Advisory Committee for input.
- Current security measures designed to protect the privacy of customer proprietary network information ("CPNI") that is collected and held by telecommunications carriers is insufficient. The MoPSC commented that, for the more effective protection of CPNI, customer telephone records and associated information should only be released through the explicit authorization of and with the complete understanding of the consumer.
- Recommendations of an independent panel reviewing the impact of Hurricane Katrina on communications networks. In its comments, the PSC asserted that good cause had been shown to support the temporary waiver of all applicable FCC rules and requirements to allow for the transport of calls outside local calling areas or across LATA boundaries, as needed, at such time as the governor of the affected state, or the President, declares a state of emergency or disaster in an affected area.
- Reverse auctions for federal USF. Federal financial support to providers of telecommunications services in high cost areas is currently determined by a qualifying company's identified cost of providing service. Changes to this process include the use of reverse auctions where the role of buyer and seller are reversed. In this instance competing carriers would vie for the right to receive universal service high cost support. The comments support efforts to stabilize and maintain the USF, but suggest the reverse auction process is not a reasonable solution due to many logistical and administrative issues. The PSC made several suggestions should the FCC implement a reverse auction process.
- An intercarrier compensation plan proposal called the "Missoula Plan". In its comments, the PSC supports an intercarrier compensation regime that is technologically and competitively neutral; is economically sound; maintains appropriate jurisdictional authorities; minimizes the impact on the federal Universal Service Fund; minimizes rate shock to end-users; is achievable, simple and inexpensive to administer and includes proper cost analysis and justification. The Missoula Plan fails to meet most, if not all, these principles. The PSC urged the FCC to consider the NARUC Plan previously filed with the FCC in lieu of the Missoula Plan.

QUICK FACT

The Missouri Public Service Commission continues to actively participate each year in a number of telecommunications issues before the Federal Communications Commission.

-- The status of the implementation of the 211 and 511 dialing codes. The PSC filed comments indicating that Missouri implemented 211 rules and had received applications from entities to serve as the information and referral providers covering all portions of the state. The commission also provided the status of 511 dialing implementation. The PSC noted there are implementation issues with N11 services and suggested the FCC provide clear guidance and delegated authority to states on cost and implementation issues.



Special Projects

Economic Analysis of Municipally Owned or Operated Cable Television and Telecommunications Facilities and Services: Sections 71.970 and 392.410 of Missouri statutes require the commission to annually analyze the impact of municipally owned and operated cable television and telecommunications services. In 2006, three municipalities provided cable television services to 9,800 subscribers. Although no municipalities offered local telephone service, 10 municipalities

offered Internet access service or data transmission service to approximately 5,800 customers.

Telephone Number Porting

Trial: In November 2006, the Missouri Division of Homeland Security conducted a trial to port 10 telephone numbers from Jefferson City to Sedalia. The purpose was to test if these numbers could be relocated to Sedalia if a disaster occurred in Jefferson City that destroyed all telecommunications facilities. Embark, AT&T, Cingular, NeuStar, the Office of Administration and homeland security participated in the trial. Some problems were discovered including switches that had difficulty “unporting” the numbers. TDMA wireless technology could also experience some problems in porting telephone numbers. Further testing is needed to determine the viability of porting telephone numbers to a distant location in the event of a disaster.

Release of Customer Proprietary Information to the National Security Agency:

During 2006, in response to newspaper articles alleging certain telecommunications companies released private customer information to the National Security Agency, Commissioners Gaw and Clayton attempted to investigate the extent telephone companies released Missouri customer proprietary information to the National Security Agency in violation of Missouri CPNI rules.

Storm Report for St. Louis area (Case No. EO-2007-0037):

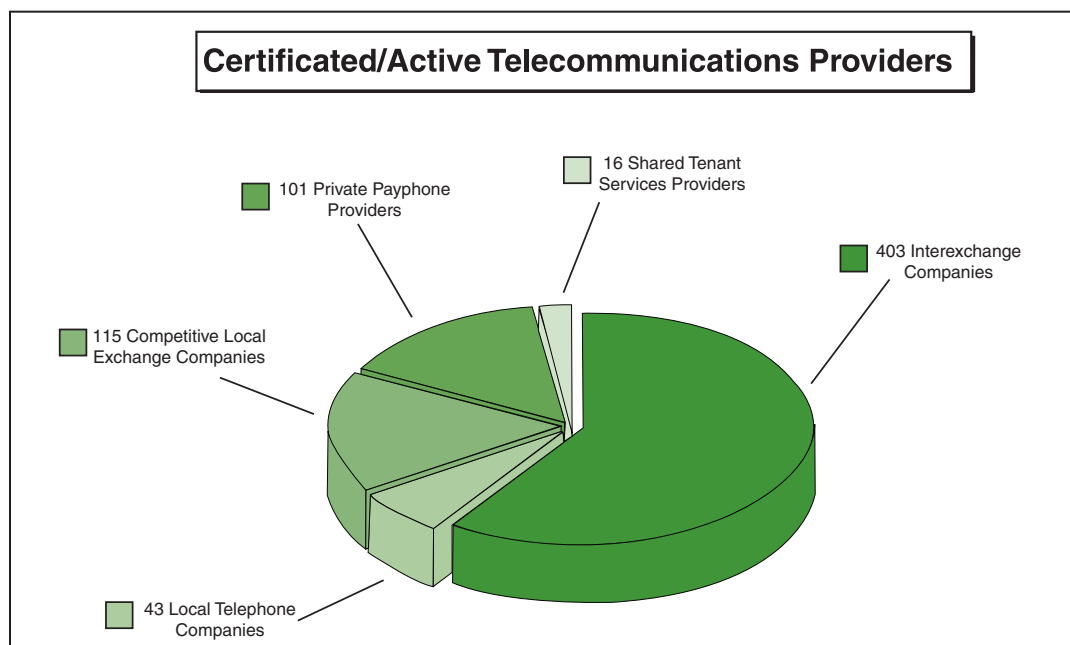
This case was established after storms created power outages in the St. Louis area in July 2006. A total of 47,384 lines experienced telecommunications service outages as the result of the storms on July 19 and July 21, 2006. This natural

disaster struck the seven county area around St. Louis. Physical damage to telecommunications company facilities was the cause for telecommunications service outages for 9,785 St. Louis-area lines. Loss of commercial electrical power caused telecommunications service interruptions or outages for 37,599 consumers. Back-up power provided by telecommunications companies maintained telecommunications services for 906,959 lines. Absent the use of batteries and generators, all of these lines would have experienced a telecommunications service outage. The average amount of time a company used back-up power was 32 hours. Some companies attempted to accelerate restoring service by using either contract labor or additional resources from other locations within their respective companies.

Mergers and Other Financial Transactions

FairPoint Acquires Cass County Telephone Company (Case No. TM-2006-0306): The commission approved the transfer on May 30, 2006. In order to complete the transaction, FairPoint also needed to obtain FCC approval, which was granted on July 26, 2006 with conditions.

Direct Communications Rockland Acquires New Florence Telephone Company (Case No. TO-2007-0139): On October 2, 2006, Direct Communications Rockland, Inc., Tiger Telephone, Inc., and New Florence Telephone Company submitted an application to transfer the stock of Tiger Telephone, Inc., which includes all of the stock of New Florence, to Direct Communications or an entity designated by Direct. Tiger Telephone, Inc. owns all the stock of New Florence Telephone Company. After the sale of stock, New Florence Telephone Company continues to provide service under the same New Florence name. The PSC gave approval in March 2007.



Water and Sewer Department

Department Personnel

The Water and Sewer Department consists of seven professional/technical positions and is split into two sections; rates and engineering. Although the department is split into the rates and engineering sections, staff members work closely together as a team and it is not unusual for them to share responsibilities.

As with most departments within the commission's organizational structure, the department's management personnel carry out not only their administrative duties, but are also involved in a great deal of the technical and analytical case work that falls within the scope of its responsibilities. As a group, department staff members have compiled approximately 170 years of regulatory and water and sewer utility work experience, with much of that experience having been gained by working directly with the department.

Department Responsibilities, Objectives and Work Functions

By law, the commission is responsible for regulating the rates, fees and operating practices of the privately owned water and sewer corporations that operate in Missouri. The department helps the commission fulfill its responsibilities by providing technical expertise on matters relating to water and sewer system operations and the tariffed rates, charges and services of regulated water and sewer companies. The general objectives of the department are twofold. The first objective is to ensure that the regulated water and sewer companies provide safe and adequate service to their customers at rates that are deemed just and reason-

able. The second objective is to ensure that the companies provide their service according to applicable commission rules and procedures and the provisions of their commission-approved tariffs. Specific tasks include:

- Evaluating company tariff filings to determine whether proposed tariffs comply with applicable commission rules, policies and state laws;

- Reviewing existing company tariffs to determine whether the provisions of the tariffs continue to comply with applicable commission rules, policies and state laws, as they change over time;

- Participating in the review of all requests for rate increases by evaluating the design of proposed rates and charges, the adequacy of system operations and need for system plant additions that have been or will be placed in service;

- Participating in the review of all applications for new or expanded certificated service areas by evaluating the need for the service proposed, the reasonableness and design of the proposed rates and charges, the proposed system design, the plans for system operations and the overall project feasibility;

- Participating in the review of applications to determine the need for projects being financed;

- Conducting regularly scheduled field inspections to determine whether company facilities and overall system operations comply with applicable commission rules, company tariff provisions and proper operational procedures;

- Interacting with company owners and operators regarding operational and technical matters;

- Investigating customer complaints and inquiries about rates, charges, system operations and quality of service; and

- Providing training sessions and materials to industry personnel and commission staff regarding the small company rate increase procedure, rate design and other ratemaking matters.

- Providing expert testimony before the commission on water and sewer cases and providing technical advice to the commission in its rule-making actions on water and sewer matters.

Interaction With Department of Natural Resources

In addition to PSC regulation, water and sewer utilities are also subject to oversight by the Missouri Department of Natural Resources.

The Department of Natural Resources' jurisdiction involves water and sewer utilities' compliance with applicable federal and state environmental and water quality laws and regulations. While the commission's rules provide for general oversight regarding water quality and sewage treatment standards, the commission generally relies upon DNR to determine whether the companies are complying with the applicable federal and

state environmental and water quality laws and regulations.

Because of the overlapping jurisdiction between the PSC and DNR, the staffs of the agencies work cooperatively in achieving the agencies' respective missions.

The two agencies have shared information about companies they regulate under a Memorandum of Understanding. This agreement includes provisions regarding the agencies' cooperation and coordination on overlapping matters such as DNR's issuance of construction and operating permits and the commission's utility service area certification process.

As a result, the agencies' respective review and approval processes for new water system construction, permitting and certification are better coordinated.

The Commission's Regulated Water and Sewer Companies

The commission currently has jurisdiction over companies that operate 97 water systems and 135 sewer systems in various locations throughout the state.

Tables on Page 46 show the distribution of the number of companies based upon the number of customers served, using the most recent data available.

QUICK FACT

The commission currently has jurisdiction over 28 companies that provide both water and sewer service, 31 companies that provide water service only and 22 companies that provide sewer service only, for a total of 81 regulated companies.

Regulated Sewer Companies*

Customer Base	Number of Companies	Customers Served	% of Total Customers Served
2,001 & Up	0	0	N/A
751 - 2,000	7	8,775	60.31
501 - 750	1	520	3.57
251 - 500	5	1,565	10.76
151 - 250	11	2,050	14.09
101 - 150	6	780	5.36
51 - 100	9	620	4.26
50 or less	11	240	1.65
TOTALS	50	14,550	100

* NOTE: Active companies as of 6/30/07. Customer numbers based on most recent data. Includes stand-alone sewer companies (22) and combination companies that provide sewer service (28).

Regulated Water Companies*

Customer Base	Number of Companies	Customers Served	% of Total Customers Served
8,001 & Above	1	459,945	93.24
5,001 - 8,000	1	6,690	1.36
3,501 - 5,000	1	4,615	0.94
2,001 - 3,500	2	5,355	1.09
751 - 2,000	6	7,225	1.46
501 - 750	6	3,585	0.73
251 - 500	8	2,690	0.55
151 - 250	8	1,440	0.29
101 - 150	7	920	0.19
51 - 100	7	510	0.10
50 or less	12	322	0.07
TOTALS	59	493,297	100

* NOTE: Active companies as of 6/30/07. Customer numbers based on most recent data. Includes stand-alone water companies (31) and combination companies that provide water service (28).

Manufactured Housing and Modular Units Program

The Manufactured Housing and Modular Units Program Department of the Missouri Public Service Commission is governed by Sections 700.010-700.692 of the Revised Statutes of Missouri.

The department is responsible for overseeing the annual registration of dealers and manufacturers of manufactured homes and modular units as well as the installers of new manufactured homes. This department is also in charge of prescribing and enforcing uniform construction, safety and installation standards by conducting code and installation inspections that include enforcing tie down and anchoring requirements.

During the past year, the department received approximately 150 complaints, a lower number than in the past. New on-site inspections which are performed prior to the completion of a home installation was a major contributor to the drop in complaints received. On-site inspections identify installation problems that can be repaired before the home installation is completed. This reduces repair costs and ensures the consumer has a properly installed home. The staff is successful in resolving approximately 98% of complaints received through its formal process by work-

ing with manufacturers, dealers, installers and homeowners.

The Manufactured Housing and Modular Units Program receives more than 240 inquiries a month from consumers, manufacturers, retail dealers, installers, finance companies and local building code officials. Currently, staff consists of four field inspectors, one field supervisor-inspector, a program manager and two office staff.

The PSC has a toll-free hotline for consumers who have questions or complaints regarding manufactured homes or modular units. The commission staff conducts **free** home inspections for consumers who file inspection requests with

STATISTICS FOR FISCAL YEAR 2007

Registered Manufacturers:	172
Registered Dealers:	206
Registered Installers:	160
Homes Sold (new & used):	3,973
Consumer Complaint Inspections:	315
On-site Inspections (SB 1096)	244
Dealer Lots Inspected:	187
Modular Unit Seals Issued:	3,214
Modular Unit Plans Approved:	1,046
Installer Decals Issued (SB 1096)	1,605

Source: PSC Manufactured
Housing Department database

the commission. For more information, please call the toll-free number **1-800-819-3180** or access the PSC web site at www.psc.mo.gov and click on the words manufactured housing.



PSC Manufactured Housing Inspector Ronnie Mann examines a modular classroom.

Oversight and Regulation

Structures not properly installed may result in very expensive repair costs that can take weeks to complete. Most of today's homes or units are multi-section structures and are installed on crawl space or basement foundations or on below-frost grade footings. Many of these homes have hinged roofs and require very specialized and expensive equipment to install. Equipment includes such items as roof jacks, roller systems or cranes. Many multi-section units require several weeks to fully complete, from site preparation to final close up and interior finish.

Staff regularly works with local communities around the state to ensure both manufactured homes and modular units are built to the applicable building and safety codes and are set up and installed according to applicable state standards.

Manufactured Homes and Modular Unit Sales

Residential and commercial modular unit sales have more than doubled in the past few years. Modular units include residential homes, commercial, industrial and educational units.

Modular and manufactured homes fill a major housing void in many rural areas where site-built homes are difficult to construct in a timely manner. In addition, commercial modular units are becoming a very popular and affordable alternative to site-built units. Modular unit classrooms are a major

component of affordable classrooms in many school districts throughout the state.

PSC field staff continues to work with school districts throughout Missouri to ensure these units are installed and anchored properly so that schools have safe environments for school children.

Pursuant to a recent report published by the Governmental Accounting Office and the Federal Housing Institute, five percent of Missouri residents live in manufactured homes.

New Legislation

The commission worked with the manufactured housing industry during the 2007 legislative session in an attempt to pass legislation establishing a Consumer Recovery Fund. The fund could be used by consumers who purchased a home from a dealer or manufacturer who fails to complete installation of the home. This legislative proposal received industry approval but did not receive final approval during the last week of the session. The commission plans to support or pursue passage of similar legislation during the 2008 session.

The commission continues to work with the industry regarding implementation of SB 1096, which passed during the 2004 legislative session. This bill included federal mandates from the 2000 federal Manufactured Housing Improvement Act. These mandates require the Missouri PSC to:

- License entities that install or set up new manufactured homes;
 - Inspect a percentage of all new homes installed; and
 - Establish a dispute resolution process under the federal Housing and Urban Development guidelines.
- The commission fully implemented the legislation on July 1, 2005.

Training and certification of new manufactured home installers began in February 2005 and continues as needed. Currently 169 individuals are licensed with the commission to install new manufactured homes.

Legal Action

During the past year, the director of the Manufactured Housing and Modular Units Program filed several complaints against dealers and unlicensed entities for alleged violations of various state laws.

Complaints were filed against certain dealers for improper installation and anchoring, operating without the required license, and failing to make corrections in a timely manner. Staff continues to work to ensure homes and commercial units are built and installed according to applicable building codes and safety standards, to help provide safe and affordable housing.

During the past year, the number of formal complaints

decreased due to the Dispute Resolution Hearing Process.

This process includes hearings conducted at the home site with the homeowner, manufacturer, dealer, installers and PSC staff. Corrective action is identified by the staff and the responsible party is required to make the applicable changes. These hearings have reduced the legal cost for the industry, the consumer and the PSC.

Fiscal Year 2008

Staff plans to work with the industry, during the next year, to upgrade the modular unit building codes to the 2006 International Residential Codes (IRC) for residential homes and the 2006 International Building Codes (IBC) for commercial units to ensure these structures are accepted by local building and code administrators in a timely manner.

QUICK FACT

Approximately 2,152 new manufactured homes and modular units were sold in the state during fiscal year 2007. An additional 1,821 used homes were sold.

SERVICE QUALITY

Engineering and Management Services Department

The staff of the engineering and management services department conducts depreciation studies and provides specialized engineering analysis and assistance for all types of regulated utilities.

The department has technical responsibilities in two separate areas.

Management Analysts develop, enhance and support utility management to provide quality services to customers and effective cost control of critical resources such as capital, technology and human resources.

The engineering staff conducts depreciation studies and provides specialized engineering analysis and assistance for all types of regulated utilities.

QUICK FACT

The engineering staff's role is to conduct depreciation studies and provide specialized engineering analysis and assistance for all types of regulated utilities.

Major Projects During 2007

Management Analysts participated in a variety of cases and audit projects during 2007. EMSD staff completed and filed a management audit of Aquila, Inc. ordered by the commission in Case No. EO-2006-0356. Staff's investigation examined the impacts on Missouri consumers resulting from Aquila's past decisions regarding incentive and executive compensation, employee bonus payments, pension and other post-employee benefits funding controls, the South Harper generating facility, decisions Aquila made regarding both regulated and unregulated activities as well as decisions Aquila made that may have involved activity that was illegal, inappropriate or improper under state or federal guidelines. The staff's report resulted in a number of recommendations to company management.

Staff participated in the Telecommunications Department's review of Universal Service Fund certification and analyzed a variety of CenturyTel processes and practices including customer billing and payment remittances, credit and collections, local business office operations, call center performance and the company's handling of customer complaints and inquiries. Due to the size of the company and its numerous locations throughout Missouri, CenturyTel was the only USF company audited by the PSC staff this year. The department's audit work was similar to reviews conducted on the small water and sewer companies described below.

Staff completed its participation in the Kansas City Power and Light Company rate case, Case No. ER-2006-0314, during FY 2007. Staff's involvement in this case included rebutting company testimony that requested rate of return adjustments for superior utility performance as compared to other utilities around the country. Staff also participated in the Atmos Energy Corporation rate case, Case No. GR-2006-0387, filing direct testimony and a subsequent staff report in response to commission questions regarding the company's quality of service. Staff's testimony primarily addressed concerns with the company's call center operations between the utility's two call centers in Metairie, Louisiana and Amarillo, Texas.

Staff participated in Case No. GW-2007-0099, an investigation into the service and billing practices of regulated gas, energy and water utilities that serve residential customers. Staff's participation included drafting requests of inquiry into utility operations and

developing draft report sections regarding staff activities to determine the service and billing practices of regulated utilities.

Service quality comparisons between Missouri residential natural gas customers served by farm tap customers and customers served by local distribution companies were also analyzed during this period. Staff's analysis was incorporated into a final report submitted to the Missouri Public Service Commission in January 2007.

The department continued to participate in reviews of numerous small water and sewer companies to assist them in providing sound customer service, and efficient and effective business practices. The audit program is designed to assist small companies in a variety of areas including customer billing, credit and collections, complaint handling, business office operations and others. Two such cases during this time period required formal participation in filings by the staff including a rate case filed by Algonquin Water Resources of Missouri LLC, Case No. WR-2006-0425, and a staff-filed complaint against Suburban Water Company, Case No. WC-2007-0452.

Management analysts responded to a number of public comments and complaints regarding Union Electric Company d/b/a AmerenUE's service outages as well as participated in additional analysis and follow-up to AmerenUE's past storm restoration efforts in Case No. EO-2007-0037. Staff also attended numerous local public hearings regarding AmerenUE's outages.

The staff continued to receive and review quality of service reports from a variety of companies as a result of merger and rate cases. These reports contain information regarding customer

service including data on call center indicators such as average speed of answer (ASA) and abandoned call rate (ACR). Staff presently monitors call center performance of all of the state's regulated large natural gas and electric companies as well as Missouri-American Water Company.

Staff continued its comprehensive customer service review of Missouri Gas Energy. MGE serves approximately 500,000 gas customers in Missouri. During the course of this review, staff traveled to the company's Kansas City office to conduct on-site work which included the performance of field observations and interviews with company personnel. Areas analyzed include the company's billing, credit and collections, service disconnection and reconnection processes, diversion, call center operations, service order processes, meter reading and payment remittance processes.

Engineering staff performed depreciation analyses for several large and small companies during this fiscal year. The purpose of depreciation in a regulatory environment is to recover the original cost of capital investment from customers and allocate the costs over the useful life of the assets. Annual depreciation expense, distributed over the life of each asset, results in the full recovery of the original cost of capital assets. The engineers' objective is to propose depreciation rates that are fair and appropriate for each company as well as its customers. Depreciation comprises a significant component of the cost used to develop utility rates paid by consumers.

During 2007, engineering staff performed depreciation analyses of several large and small companies and conducted comprehensive depreciation studies in the context

of rate cases filed by Kansas City Power and Light, Missouri-American Water Company, Union Electric Company d/b/a AmerenUE, Atmos Energy Corporation and Aquila. The depreciation engineers performed depreciation analysis of the plant accounts at these utilities, filed numerous rounds of testimony and testified at many of the proceedings.

Depreciation engineers also performed depreciation analyses to determine the revenue requirement of numerous small water and sewer companies and filed testimony in the formal rate case filed by Algonquin Water Resources of Missouri LLC, Case No. WR-2006-0425.

The staff also participated in House Bill 360 depreciation rate requests for Northeast Missouri Rural Telephone Company, Case No. IU-2007-0362, and participated in New Florence Telephone Company's transfer of assets to Tiger Telephone, Inc., Case No. TO-2007-0139.

The engineering staff continues to be involved in the staff investigation of the reservoir failure of AmerenUE's Taum Sauk dam which occurred December 14, 2005.

The engineering staff has been working within a multi-department team with engineers from the commission's Energy Department as well as commission attorneys in Case No. ES-2007-0470.

During this time, the staff provided assistance to the Financial Analysis Department for a number of recommendations in finance cases.

Consumer Services Department

The Consumer Services Department serves as the central repository for consumer complaints and inquiries received by the commission.

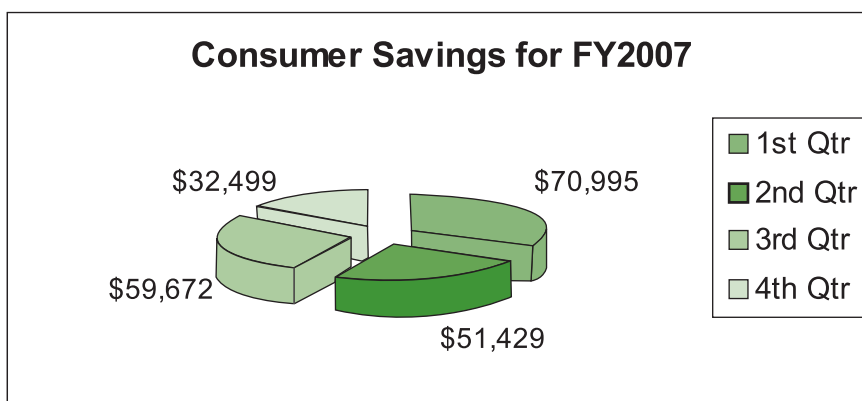
Consumer complaints may be filed with the commission by mail, facsimile, e-mail or the commission's consumer toll-free hotline **1-800-392-4211**. Complaints may also be submitted on-line through the commission's website.

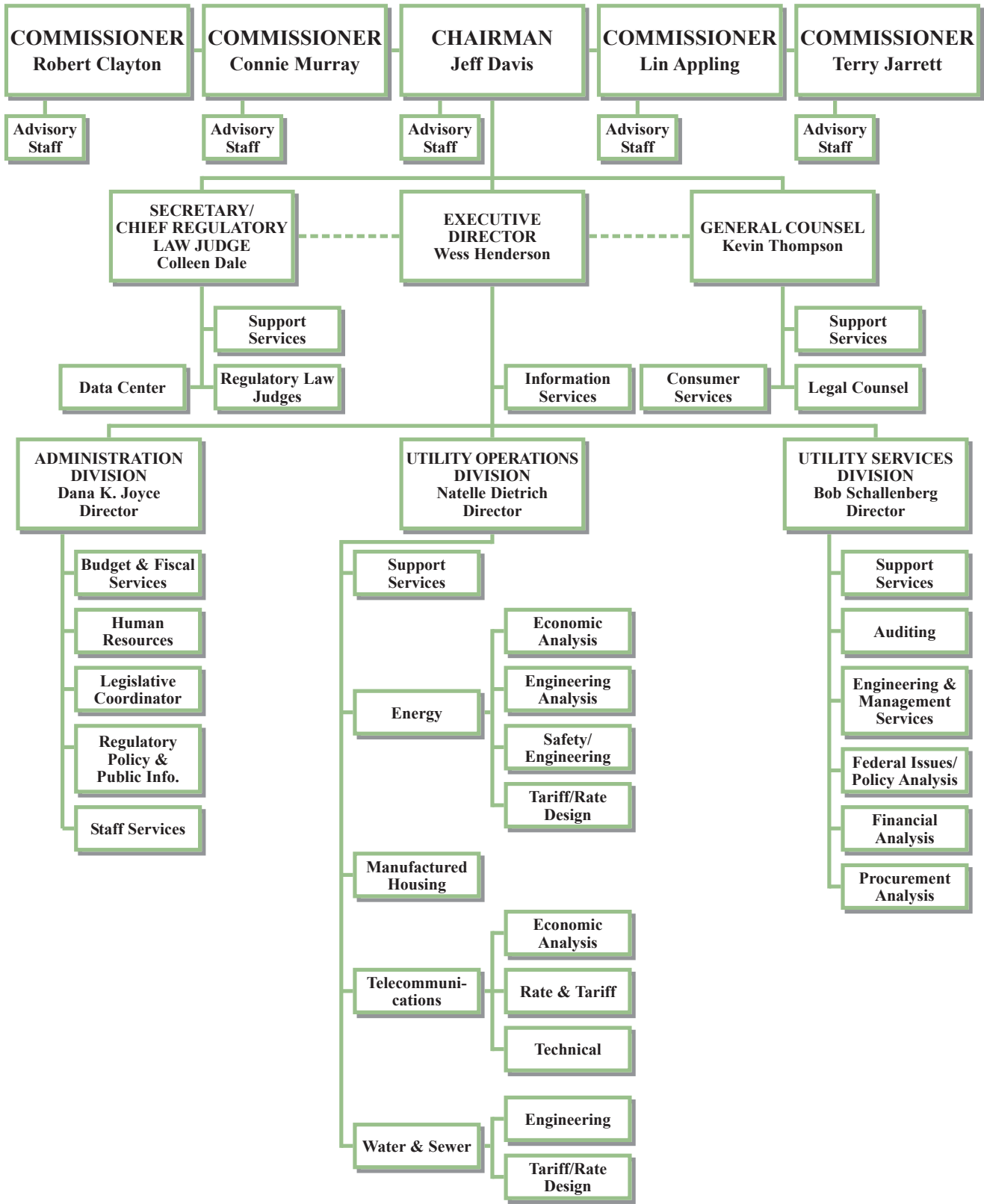
Consumer services specialists receive, investigate and respond to billing and service issues involving natural gas, electric, water, sewer and telecommunications companies regulated by the commission.

The investigation of complaints may involve consulting with the commission's technical staff, utility representatives and researching utility tariffs as well as the commission rules and regulations. Through the handling of consumer complaints, specialists work to enforce commission rules and utility tariffs.

Specialists also interact with other PSC staff regarding consumer service issues in proposed rulemakings on the state and federal level. This interaction also involves participating in customer-service focused reviews of utility operations and participating in formal cases before the commission regarding issues that impact customer services.

Consumer service specialists also refer consumers to other agencies that may provide the needed assistance.





YEAR IN REVIEW -- 2006

July 3 -- Aquila, Inc. files an electric rate case with the Public Service Commission. Company seeks to increase annual electric operating revenues by approximately \$94.5 million in its MPS service territory and by approximately \$24.4 million in its L&P service territory.

July 7 -- Union Electric Company d/b/a AmerenUE files a \$360.7 million electric rate case with the Public Service Commission.

July 7 -- Union Electric Company d/b/a AmerenUE files a \$10.8 million natural gas rate case with the Public Service Commission.

July 20 -- PSC grants Embarras request for competitive classification for residential services in its Buckner, Lake Lotawana, Oak Grove, Odessa and Pleasant Hill exchanges.

July 27 -- Public Service Commission announces staff investigation into storm preparation and restoration efforts following storms in eastern Missouri on July 19 and 21.

July 28 -- New Florence Telephone Company pays a \$100,000 fine and customers of the company receive bill credits under

agreement approved by the PSC. The agreement resolves a staff complaint against the telephone company for alleged violations of law.

August 17 -- PSC makes several changes to its Cold Weather Rule to assist natural gas customers faced with high heating bills.

September 29 -- PSC approves agreement reached in Aqua Missouri water and sewer rate cases.

October 6 -- PSC approves agreement reached in Aqua Missouri water rate case.

October 30 -- Southwestern Bell Telephone, L.P. d/b/a AT&T Missouri implements an expanded calling plan for the AT&T Missouri exchanges of Beaufort, St. Clair, Union and Washington.

November 1 -- PSC Cold Weather Rule takes effect.

November 17 -- PSC staff releases AmerenUE storm outage and service restoration report.

December 1 -- Laclede Gas Company files \$52.9 million natural gas rate request with the Public Service Commission.

PSC Year in Review (continued)

December 15 -- Missouri-American Water Company files water and sewer rate request with Public Service Commission. Company seeks to increase annual water operating revenues by approximately \$41.4 million and annual sewer operating revenues by approximately \$73,800.

December 21 -- PSC approves electric rate increase for The Empire District Electric Company. Under the decision, electric revenues will increase by approximately \$29.3 million. When the company filed its request on February 1, 2006, it sought to increase annual electric revenues by about \$29.5 million.

December 21 -- PSC reaches decision in Kansas City Power & Light Company electric rate case authorizing the company to increase annual electric revenues by approximately \$50.6 million. KCPL sought an increase of approximately \$55.8 million in its February 1, 2006 filing.

December 21 -- PSC approves agreement providing bill credits for certain Laclede Gas Company customers. The agreement settles

an estimated billing complaint brought by the Office of the Public Counsel.

2007

February 1 -- Kansas City Power & Light Company files a \$45 million electric rate request with the commission.

February 26 -- Public Service Commission determines that no rate increase should be granted to Atmos Energy Corporation. When Atmos filed its rate request on April 7, 2006, it sought to increase natural gas revenues by approximately \$3.4 million.

March 1 -- CenturyTel exchanges of Foley, Holstein, Marthasville, Warrenton and Wright City added as new Tier 6 of the St. Louis MCA.

March 7 -- PSC grants Embarras request for competitive classification for business services in its Lebanon exchange.

March 16 -- PSC approves agreement reached in Union Electric Company d/b/a AmerenUE natural gas rate case. The agree-



An ice storm in January caused massive damage in southwest Missouri. Photo courtesy of The Empire District Electric Company.

PSC Year in Review (continued)

QUICK FACT

In Fiscal Year 2007, the Missouri Public Service Commission held 82 local public hearings across Missouri to hear from rate-payers regarding storm outages and proposed rate increases.

ment calls for annual natural gas operating revenues to increase by approximately \$6 million. When AmerenUE filed its rate request in July 2006, it sought a rate increase of approximately \$10.8 million.

March 16 -- PSC approves adjustment to the Missouri Universal Service Fund.

March 23 -- PSC approves sale of the stock of Tiger Telephone, Inc. to Direct Communications Rockland, Inc. Tiger Telephone, Inc. is the sole shareholder of New Florence Telephone Company.

March 23 -- PSC issues decision in Missouri Gas Energy natural gas rate case authorizing the company to increase annual natural gas operating revenues by approximately \$27.2 million. The company sought an increase of approximately \$41.7 million in its May 2, 2006 filing.

April 27 -- PSC issues manufactured and modular home advisory. Consumers considering the purchase of a new manufactured home or modular home in southeast Missouri are reminded to make sure they purchase the home from a licensed Missouri dealer.

May 1 -- PSC issues decision in Aquila, Inc. electric rate case authorizing the company to increase annual electric operating revenues in the MPS service territory by approximately \$45.1 million and by approximately \$13.6 million in the L&P service area. In its July 3, 2006 filing, the company sought to increase annual electric operating revenues by approximately \$94.5 million in its MPS service territory and by approximately \$24.4 million in its L&P service territory.

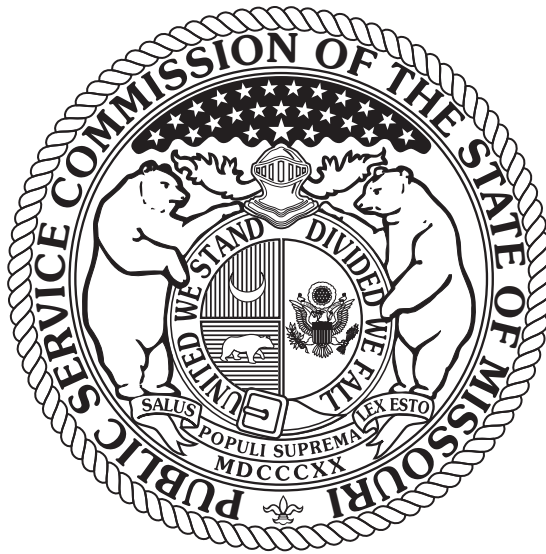
May 22 -- PSC issues decision in Union Electric Company d/b/a AmerenUE electric rate case authorizing the company to increase annual electric operating revenues by approximately \$43 million. AmerenUE sought a \$360.7 million electric rate increase in its July filing with the commission.

June 1 -- PSC holds roundtable on electric utility storm outage planning, restoration and general service reliability.

June 15 -- PSC grants CenturyTel request for competitive classification for residential services in its Bourbon, Cabool, Cassville, Cuba, Forsyth, Kimberling City and Mansfield exchanges.

June 15 -- PSC grants Spectra request for competitive classification for residential services in its Brunswick, Cameron, Golden City, Greenfield, Lawson and Sarcoxie exchanges.

Statistical Information



Statistical Information

RATE CASE DECISIONS DURING FISCAL YEAR 2007

NATURAL GAS

Date of Order	Case No.	Company	Rate Request	PSC Decision
2/22/07	GR-2006-0387	Atmos Energy	\$ 3,400,000	\$ 0
3/15/07	GR-2007-0003	UE d/b/a AmerenUE	\$ 10,800,000	\$ 6,000,000
3/22/07	GR-2006-0422	Missouri Gas Energy	\$ 41,700,000	\$ 27,200,000

ELECTRIC

Date of Order	Case No.	Company	Rate Request	PSC Decision
12/21/06	ER-2006-0315	Empire District Electric	\$ 29,500,000	\$ 29,300,000
12/21/06	ER-2006-0314	Kansas City Power & Light	\$ 55,800,000	\$ 50,600,000
5/17/07	ER-2007-0004	Aquila Networks -- MPS	\$ 94,500,000	\$ 45,300,000
5/17/07	ER-2007-0004	Aquila Networks -- L&P	\$ 24,400,000	\$ 13,600,000
5/22/07	ER-2007-0002	UE d/b/a AmerenUE	\$ 360,700,000	\$ 43,000,000

WATER & SEWER RATE CASES

Requests/Cases Resolved, Pending and/or Submitted

Tracking/Case Number	Company	Status of Request	Increase Granted
QS-2005-0008 (SR-2006-0022)	Aqua Missouri -- Development	Rate Change Effective 08/26/06	(\$4,730)
QW-2005-0009 (WR-2007-0021)	Aqua Missouri -- RU	Increase Granted Effective 10/11/06	\$109,120
QS-2005-0010 (SR-2006-0023)	Aqua Missouri -- CU (sewer)	Increase Granted Effective 09/30/06	\$148,215
QW-2005-0011 (WR-2007-0020)	Aqua Missouri -- CU (water)	Increase Granted Effective 09/30/06	\$45,340
QS-2006-0003	Central Jefferson County Utilities	Request Closed	N/A
QS-2006-0004 (SR-2006-0379)	Taneycomo Highlands	Increase Granted Effective 07/07/06	\$5,005
QW-2006-0005 (WR-2007-0103)	Franklin County Water Company	Increase Granted Effective 10/15/06	\$4,340
QW-2006-0006 (WR-2007-0181)	Moore Bend Water Company	Increase Granted Effective 12/07/06	\$6,675
WR-2006-0425	Algonquin Water Resources of Missouri	Increased Granted Effective 04/02/07	\$254,363

NOTES:

1. The first block of numbers (i.e. - 2007) in the tracking number or case number reflects the fiscal year in which the subject small company rate increase request or rate case was submitted to the commission.

2. QW = small water company requests QS = small sewer company requests

3. An entry of "Request Pending" or "Case Pending" in the status column indicates that a final disposition of the subject small company rate increase request or rate case had not been reached as of 6/30/07.

4. An entry of "Request Rejected" in the status column indicates the subject request did not meet the minimum submission requirements of the small company rate increase procedure.

5. An entry of "Request Closed" in the status column indicates that the staff and the involved company could not reach an agreement regarding the amount of increase needed or that an increase was not needed at all.

6. An entry of "Request Withdrawn" in the status column indicates that the involved company decided not to continue to pursue its request to completion.

7. Dollar amounts in the "Increase" column are rounded to the nearest \$5 amount.

8. N/A = Not Applicable.

WATER & SEWER RATE CASES

Requests/Cases Resolved, Pending and/or Submitted

Tracking/Case Number	Company	Status of Request	Increase Granted
SR-2006-0426	Algonquin Water Resources of Missouri	Increase Granted Effective 04/02/07	\$169,116
QS-2007-0001	Gladlo Water & Sewer Company	Request Pending	N/A
QW-2007-0002	Gladlo Water & Sewer Company	Request Pending	N/A
QW-2007-0003	IH Utilities	Request Pending	N/A
QS-2007-0004 (SR-2007-0355)	West 16th Sewer Company	Increase Granted Effective 04/27/07	\$13,445
QS-2007-0005 (SR-2007-0357)	W.P.C. Sewer Company	Increase Granted Effective 04/27/07	\$5,110
QW-2007-0006 (WR-2007-0460)	S.K. & M. Water & Sewer Co.	Case Pending	N/A
QS-2007-0007 (SR-2007-0461)	S.K. & M. Water & Sewer Co.	Case Pending	N/A
QS-2007-0008	Timber Creek Sewer Company	Request Pending	N/A
WR-2007-0216	Missouri-American Water Co.	Case Pending	N/A
SR-2007-0217	Missouri-American Water Co.	Case Pending	N/A

NOTES:

1. The first block of numbers (i.e. - 2007) in the tracking number or case number reflects the fiscal year in which the subject small company rate increase request or rate case was submitted to the commission.

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7. Dollar amounts in the "Increase" column are rounded to the nearest \$5 amount.

8. N/A = Not Applicable.

Natural Gas Utilities Statistics

Calendar Year 2006 (Missouri Jurisdictional)

Name of Company	Mcfs Sold	Operating Revenues (\$)	Residential Customers	Total Customers
Aquila Networks - L&P (1)	269,187	3,204,315	5,190	5,983
Aquila Networks - MPS (2)	1,831,119	25,137,266	36,867	41,716
Atmos Energy Corp.	5,100,403	65,717,737	51,048	58,264
Empire District Gas Company (3)	1,704,358	23,600,821	44,437	50,472
Fidelity Natural Gas, Inc. (4)	92,455	990,366	1,353	1,353
Laclede Gas Company	67,095,263	979,165,061	590,392	631,318
Missouri Gas Energy (5)	44,595,588	574,103,083	444,838	512,669
Missouri Gas Utility, Inc.	68,001	972,704	772	834
Southern Missouri Gas Co., L.P. (6)	648,796	9,858,886	4,536	7,674
Union Electric Company (7)	10,709,295	159,659,033	111,537	124,682
Totals:	132,114,465	\$ 1,842,409,272	1,290,970	1,434,965

Source: MoPSC FERC Form 2 - 2006 Annual Reports (Missouri Jurisdictional)

Intrastate Pipelines	Mcfs Delivered	Operating Revenues (\$)	Transportation Customers
Missouri Gas Company (8)	1,944,891	3,991,631	9
Missouri Pipeline Company (8)	9,934,161	5,593,078	11
TOTALS:	11,879,052	\$ 9,584,709	20

(1) Aquila, Inc. d/b/a Aquila Networks, Aquila Networks - L&P

(2) Aquila, Inc. d/b/a Aquila Networks, Aquila Networks - MPS

(3) Aquila sale to Empire June 1, 2006

(4) Fidelity sale to Laclede February 24, 2006

(5) A division of Southern Union Co.

(6) Southern Missouri Gas Co., L.P., Tartan Energy Co., L.C.

(7) Union Electric Co. d/b/a AmerenUE Gas Districts

(8) A subsidiary of Gateway Pipeline Company, Inc.

Electric Utilities Statistics

Calendar Year 2006 (Missouri Jurisdictional)

Name of Company	MWhs Sold	Operating Revenues	Residential Customers	Total Customers
Aquila Networks - L&P (1)	2,002,480	\$ 106,152,396	57,941	65,745
Aquila Networks - MPS (2)	5,772,221	395,663,802	207,764	238,515
The Empire District Electric Co.	4,155,082	304,964,918	120,928	144,045
Kansas City Power & Light Co.	8,692,731	492,047,198	238,389	270,787
Union Electric Company (3)	36,864,186	2,112,044,372	1,020,485	1,170,738
TOTALS:	57,486,700	\$3,410,872,686	1,645,507	1,889,830

Source: MoPSC FERC Form 1 2006 Annual Reports (Missouri Jurisdictional)

(1) Aquila, Inc. d/b/a Aquila Networks, Aquila Networks-L&P

(2) Aquila, Inc. d/b/a Aquila Networks, Aquila Networks-MPS

(3) Union Electric Company d/b/a AmerenUE

Steam Utilities Statistics

Calendar Year 2006 (Missouri Jurisdictional)

Name of Company	MMBtus Sold	Operating Revenues	Residential Customers	Total Customers
Aquila Networks - L&P (1)	2,157,127	12,330,484	0	5
Trigen-Kansas City Energy Corp.	978,865	11,582,882	0	57
TOTALS:	3,135,992	\$ 23,913,366	0	62

Source: 2006 Annual Reports

(1) Aquila, Inc. d/b/a Aquila Networks, Aquila Networks -- L&P.

Stand Alone Water and Sewer Companies*

Calendar Year 2006 (Missouri Jurisdictional)

<u>Name of Water Company</u>	<u>Customers</u>	<u>Name of Sewer Company</u>	<u>Customers</u>
Aqua Missouri-RU	1,215	Aqua Missouri -- Development	15
Argyle Estates Water System	50	Calvey Brook Sewer Company	0
Calvey Brook Water Company	0	Cannon Home Association	60
Empire District Electric Company	4,615	Central Rivers Wastewater Utility	175
Environmental Utilities	20	Envirowater Company	0
Evergreen Lake Water Company	85	House Springs Sewer Company (1)	1,070
Franklin County Water Company	175	Lincoln County Utilities Company (2)	230
Gascony Water Company	175	M.P.B. Sewer	140
I.H. Utilities	715	Meramec Sewer Company	945
Kimberling City Water Company	110	Mill Creek Sewers	75
Kimberling Investments	5	North Oak Sewer District	80
Lakeland Heights Water Company	120	P.C.B. Sewer	280
Loma Linda Water Company	315	S.T. Ventures	80
Middlefork Water Company	2	Savannah Heights Industrial Treatment	110
Midland Water Company	95	Stoddard County Sewer Company	175
Moore Bend Water Company	95	Taneycomo Highlands	15
Noel Water Company	650	TBJ Sewer Systems	45
Oakbrier Water Company	55	Timber Creek Sewer Company	1,235
Ozark Shores Water Company	1,695	Village Water & Sewer Company	210
Public Funding Corp. of Ozark, MO	220	W.P.C. Sewer Company	65
Raytown Water Company	6,690	Warren County Sewer Company	35
Rex Deffenderfer Enterprises	1,030	West 16th Street Sewer Company	145
Riverfork Water Company	145		
Spokane Highlands Water Company	45	Total Number of Customers	5,185
Stockton Hills Water Company	160		
Suburban Water and Sewer Company	150		
Tri-States Utility	3,170		
U.S. Water Company	2,185		
Village Greens Water Company	30		
Whispering Hills Water System	55		
Woodland Manor Water Company	155		
Total Number of Customers	24,227		

* Active companies as of 6/30/07. Customer numbers based on most recent data available (except for Middlefork Water Company which has only wholesale customers). Customer numbers rounded to the nearest five.

(1) Operating Under Receivership

(2) Sale/Transfer Pending

Combination Water & Sewer Companies*

Calendar Year 2006 (Missouri Jurisdictional)

<u>Name of Company</u>	<u>Water Customers</u>	<u>Sewer Customers</u>
Algonquin Water Resources	925	390
Aqua Missouri -- CU	430	1,995
Bear Creek Water & Sewer	40	25
Emerald Pointe Utility Company	295	270
Foxfire Utility Company	325	180
Gladlo Water & Sewer Company	70	65
Hickory Hills Water & Sewer Company (1)	50	50
Highway H Utilities	610	65
Hillcrest Utilities Company	200	200
KMB Utility Corporation	525	185
Lake Northwoods Utility Company	20	20
Lake Region Water & Sewer Company	365	1,160
Meadows Water Company (2)	1,125	280
Missouri-American Water Company	459,945	1,195
Missouri Utilities Company (1)	135	135
Osage Water Company (1)	400	345
Peaceful Valley Service Company	165	165
Port Perry Service Company	265	170
Roark Water and Sewer	555	520
Rogue Creek Utilities (1)	120	110
Roy L Utilities	55	55
S.K.&M. Water & Sewer Company	295	170
Southtown Utilities Company	30	15
Swiss Villa Utilities (2)	140	140
Taney County Utilities Corporation	530	75
Terre Du Lac Utilities Corporation	1,235	1,175
Valley Woods Water Company	30	20
Willows Utility Company	190	190
Total Number of Customers	469,070	9,365

* Active companies as of 6/30/07. Customer numbers based on most recent data available and rounded nearest five.

(1) Operating Under Receivership

(2) Sale/Transfer Pending

Contacting the PSC

Missouri Public Service Commission offices are located in Kansas City, Jefferson City and St. Louis. The PSC is open from 8:00-12:00 noon and 1:00-5:00 p.m., Monday through Friday, except on state holidays.

Jefferson City: Missouri Public Service Commission
Governor Office Building
200 Madison Street
(Mailing Address: P.O. Box 360)
Jefferson City, MO 65102
**Toll-free Consumer Hotline for
Complaints: (800) 392-4211**
**Manufactured Housing/Modular Unit
Complaints: (800) 819-3180**
Other Business: (573) 751-3234
Fax: (573) 751-1847

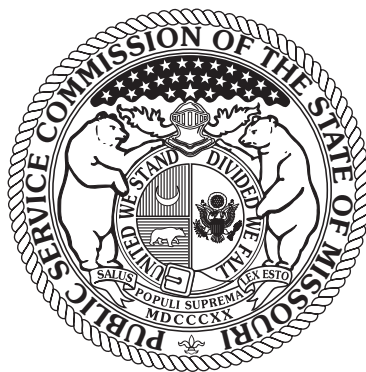
St. Louis: Missouri Public Service Commission
9900 Page Avenue
Overland, MO 63132
Telephone No.: (314) 877-2778
Fax: (314) 877-2787

Kansas City: Missouri Public Service Commission
Fletcher Daniels State Office Building
615 E. 13th Street
Kansas City, MO 64106
Telephone No.: (816) 889-3943
Fax: (816) 889-3957

Web site address: www.psc.mo.gov

PSC Commissioners Past and Present

<u>Commissioner</u>	<u>Length of Service</u>	<u>Commissioner</u>	<u>Length of Service</u>
John M. Atkinson	1913-1916	Tyre W. Burton	1952-1965
William F. Woerner	1913-1914	Frank Collier	1953-1954
John Kennish	1913-1917; 1920	M.J. McQueen	1954-1956
Frank A. Wrightman	1913-1915	D.D. McDonald	1955-1961
Howard B. Shaw	1913-1917	William Barton	1956-1965
Edwin J. Bean	1914-1925	Frank J. Iuen	1959-1963
Eugene McQuillin	1915-1917	Frank W. May	1961-1967
William G. Busby	1916-1921	Donal D. Guffey	1963-1968
David E. Blair	1917-1920	William R. Clark	1965-1975
Noah W. Simpson	1917-1923	Charles J. Fain	1965-1977
Edward Flad	1917-1921	Howard Elliot, Jr.	1967-1970
John A. Kurtz	1920-1923	Marvin E. Jones	1967-1973
Hugh McIndoe	1921-1923	Willard D. Reine	1968-1975
A.J. O'Reilly	1921-1925	James F. Mauze	1971-1975
Richard H. Musser	1923-1925	A. Robert Pierce, Jr.	1973-1977
Thomas J. Brown	1923-1928	James P. Mulvaney	1975-1977
D.E. Calfee	1925-1929	Stephen B. Jones	1975-1979
Almon Ing	1925-1933	Hugh A. Sprague	1975-1979
S.M. Hutchinson	1925-1931	Charles J. Fraas	1977-1983
J.H. Porter	1925-1933	Leah Brock McCartney	1977-1983
James P. Painter	1928-1929	Alberta Slavin	1977-1981
Milton R. Stahl	1929-1933	Stephanie Bryant	1979-1981
J. Fred Hull	1929-1934	Larry W. DORITY	1979-1983
George H. English	1931-1936	John C. Shapleigh	1981-1984
J.C. Collet	1933-1935	Charlotte Musgrave	1981-1988
William Stoecker	1933-1936	Allan G. Mueller	1983-1996
W.M. Anderson	1933-1938	Connie Hendren	1983-1989
Harry E. McPherson	1934-1935	James M. Fischer	1984-1989
Sam O. Hargus	1935-1937	William D. Steinmeier	1984-1992
John S. Boyer	1935-1941	David Rauch	1989-1993
Albert D. Nortoni	1936-1938	Kenneth McClure	1990-1997
John A. Ferguson	1936-1944	Ruby Letsch-Roderique	1990-1991
J.D. James	1937-1942	Patricia Perkins	1991-1995
Marion S. Francis	1938-1941	Duncan Kincheloe	1992-1997
Scott Wilson	1938-1941	Harold Crumpton	1993-2000
Paul Van Osdol	1941-1943	M. Dianne Drainer	1995-2001
Frederick Stueck	1941-1943	Karl Zobrist	1996-1997
Kyle Williams	1941-1952	Robert Schemenauer	1998-2001
Charles L. Henson	1942-1959	Sheila Lumpe	1997-2003
Albert Miller	1943-1944	Kelvin Simmons	2000-2003
Richard Arens	1944-1945	Bryan Forbis	2001-2003
Agnes Mae Wilson	1943-1949	Steve Gaw	2001-2007
E.L. McClintock	1945-1967	Connie Murray	1997-present
Morris E. Osburn	1945-1952	Robert Clayton III	2003-present
John P. Randolph	1949-1951	Jeff Davis	2004-present
Henry McKay Cary	1950-1955	Linward "Lin" Appling	2004-present
Maurice Covert	1952-1953	Terry Jarrett	2007-present



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